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**APPLICATION OF  
SOUTHWESTERN ELECTRIC  
POWER COMPANY FOR  
AUTHORITY TO CHANGE RATES**

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**BEFORE THE STATE OFFICE  
OF  
ADMINISTRATIVE HEARINGS**



**DIRECT TESTIMONY OF RUTH STARK**  
**RATE REGULATION DIVISION**  
**PUBLIC UTILITY COMMISSION OF TEXAS**

**APRIL 7, 2021**

520

## TABLE OF CONTENTS

1	I. QUALIFICATIONS .....	3
2	II. PURPOSE AND SCOPE OF TESTIMONY .....	4
3	III. SUMMARY OF SWEPCO'S REQUEST .....	5
4	IV. SUMMARY OF STAFF'S RECOMMENDATION .....	5
5	V. ADJUSTMENTS TO SWEPCO'S REQUEST .....	6
6	A. SWEPCO Payroll .....	6
7	B. AEPSC Payroll .....	7
8	C. Incentive Compensation .....	8
9	D. Supplemental Executive Retirement Plan (SERP) .....	10
10	E. Pension Expense .....	12
11	F. Executive Perquisites .....	13
12	G. Affiliate Carrying Charges .....	13
13	H. Regulatory Commission Expense .....	15
14	I. Factoring Expense .....	15
15	J. Amortization of Intangibles .....	16
16	K. Interest on Customer Deposits .....	17
17	L. Retired Generating Units .....	17
18	M. Dolet Hills .....	20
19	N. NOLC ADFIT Asset .....	29
20	O. Excess ADFIT .....	42
21	P. Depreciation Expense .....	47
22	Q. Ad Valorem Taxes .....	48
23	R. Payroll Taxes .....	53
24	S. Revenue Related Taxes .....	53
25	T. Federal Income Tax Expense .....	54
26	U. Working Cash Allowance .....	55
27	V. Rate-Case Expenses .....	55

## ATTACHMENTS

Attachment RS-1	Revenue Requirement Schedules
Attachment RS-2	Staff's SWEPCO Payroll Adjustment
Attachment RS-3	SWEPCO's Response to Staff 5-27, Attachment 2
Attachment RS-4	SWEPCO's Response to OUPC 6-1
Attachment RS-5	SWEPCO's Response to Staff 5-27, Attachment 1
Attachment RS-6	Staff's AEPSC Payroll Adjustment
Attachment RS-7	SWEPCO's Response to Staff 5-24
Attachment RS-8	SWEPCO's Response to OPUC 1-15
Attachment RS-9	Staff's SWEPCO Incentive Adjustment
Attachment RS-10	Staff's AEPSC Incentive Adjustment
Attachment RS-11	SWEPCO's Response to Staff 5-36
Attachment RS-12	SWEPCO's Response to Staff 5-30
Attachment RS-13	Excerpt from Schedule A-4, Account 926

Attachment RS-14	Staff's Pension Expense Calculation
Attachment RS-15	SWEPCO's Response to Staff 5-35
Attachment RS-16	SWEPCO's Response to Staff 5-32
Attachment RS-17	SWEPCO's Response to Staff 5-48
Attachment RS-18	SWEPCO's Response to Staff 5-63
Attachment RS-19	Staff's Effective Factoring Rate & WP/A-3.5 of Application
Attachment RS-20	SWEPCO's Response to Staff 9-24
Attachment RS-21	SWEPCO's Response to Staff 9-11
Attachment RS-22	SWEPCO's Response to Staff 5-57
Attachment RS-23	Staff's Adjustment for Retired Generating Units
Attachment RS-24	SWEPCO's Response to Staff 15-1
Attachment RS-25	SWEPCO's Response to CARD 9-2
Attachment RS-26	SWEPCO's Response to OPUC 5-7
Attachment RS-27	SWEPCO's Response to Staff 9-8
Attachment RS-28	SWEPCO's Response to Staff 5-61
Attachment RS-29	SWEPCO's Response to Staff 5-56
Attachment RS-30	SWEPCO's Response to CARD 2-13
Attachment RS-31	SWEPCO's Response to CARD 7-20
Attachment RS-32	SWEPCO's Response to CARD 4-2
Attachment RS-33	Staff Proposed Recovery of Dolet Hills
Attachment RS-34	SWEPCO's Response to TIEC 1-16
Attachment RS-35	SWEPCO's Response to CARD 7-17
Attachment RS-36	SWEPCO's Response to Staff 9-2
Attachment RS-37	SWEPCO's Response to Staff 9-19
Attachment RS-38	Calculation of Cash Received for Tax Losses
Attachment RS-39	SWEPCO's Response to Staff 9-20
Attachment RS-40	SWEPCO's Response to Staff 9-21
Attachment RS-41	SWEPCO's Response to OPUC 3-7
Attachment RS-42	SWEPCO's Response to Staff 9-17
Attachment RS-43	SWEPCO's Response to Staff 9-18
Attachment RS-44	SWEPCO's Response to Staff 9-15
Attachment RS-45	Application W/P Schedule B-1.5.17.1
Attachment RS-46	SWEPCO's Response to Staff 9-16
Attachment RS-47	SWEPCO's Response to CARD 4-32
Attachment RS-48	Staff Calculation of Protected Excess ADFIT Refund
Attachment RS-49	Application Schedule G-7.9
Attachment RS-50	SWEPCO's Response to OPUC 1-25
Attachment RS-51	Staff Calculation of Unprotected Excess ADFIT Refund
Attachment RS-52	Application WP A-3.13.1 (Ad Valorem)
Attachment RS-53	SWEPCO's Response to Staff 5-22
Attachment RS-54	SWEPCO's Response to Staff 5-23
Attachment RS-55	SWEPCO's Response to ETEC-NTEC 1-18
Attachment RS-56	Staff's Ad Valorem Tax Calculation
Attachment RS-57	Staff's Payroll Tax Adjustment
Attachment RS-58	List of Previous Testimony

**I. QUALIFICATIONS**

**Q. Please state your name and business address.**

A. Ruth Stark, 1701 North Congress Avenue, Austin, Texas 78701.

**Q. By whom are you employed and in what capacity?**

A. I am employed by the Public Utility Commission of Texas (Commission) as a Senior Regulatory Accountant in the Rate Regulation Division.

**Q. What are your principal responsibilities?**

A. My responsibilities include testifying as a witness on accounting matters in rate cases and other proceedings filed at the Commission and participating in the overall examination, review, and analysis of rate change and other applications.

**Q. Please briefly state your educational background and professional experience.**

A. I received a Bachelor of Business Administration degree with a major in Accounting from the University of Texas at Austin in 1983. I am a Certified Public Accountant licensed in the State of Texas. I have accounting experience in public practice, industry, and state government. My public accounting responsibilities included tax and financial services to individuals, private enterprises, and non-profit organizations. As the accountant for a multi-divisional construction, engineering, and surveying company, I oversaw all accounting functions from maintaining the general ledger through financial statement and tax return preparation. At the Texas Water Development Board, I administered a federal construction grant program and the state revolving loan fund related to municipal capital improvement projects. Except for the three-month period encompassing October through December 2015, I have been employed with the Public Utility Commission of Texas since September 1990. Prior to my retirement in September

2015, I held the position of Director of Financial Review in the Rate Regulation Division for sixteen years.

**Q. Have you previously testified before the Commission?**

A. Yes. Attachment RS-58 presents a summary of the dockets in which I have testified.

**Q. On whose behalf are you testifying?**

A. I am testifying on behalf of the Commission Staff (Staff).

## **II. PURPOSE AND SCOPE OF TESTIMONY**

**Q. What is the purpose of your testimony in this proceeding?**

A. The purpose of my testimony is to present Commission Staff's recommended revenue requirement regarding Southwestern Electric Power Company's (SWEPCO or the Company) request to change its rates based on a test year reflecting the 12-month period ending March 31, 2020. SWEPCO's current base rates were established in Docket No. 46449.<sup>1</sup>

**Q. What is the scope of your review?**

A. My review encompasses analysis of the Company's application in this proceeding (Application), the required update thereto filed on November 30, 2020, and SWEPCO's responses to various Requests for Information (RFIs).

**Q. What standards are you applying in the determination of the reasonableness of SWEPCO's requested revenue requirement?**

A. I am applying the standards set forth in the Public Utility Regulatory Act, Tex. Util. Code Ann. (PURA).<sup>2</sup> I am also applying 16 Texas Administrative Code (TAC) § 25.231,

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<sup>1</sup> *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 46449 Order on Rehearing (March 19, 2018).

<sup>2</sup> Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 36.051-36.066.

otherwise known as the Commission's cost of service rule, and 16 TAC § 25.245, related to the recovery of rate-case expenses.

**III. SUMMARY OF SWEPCO'S REQUEST**

**Q. Please summarize SWEPCO's request.**

A. SWEPCO requests a Total Company cost of service (revenue requirement) of \$1,383,790,146.<sup>3</sup> My testimony addresses the Total Company revenue requirement. Staff witness Adrian Narvaez uses the Staff recommended Total Company revenue requirement to develop Staff's recommended Texas jurisdictional cost of service.

**Q. Are all of the costs that are included in the Company's requested revenue requirement directly incurred by SWEPCO?**

A. No. While most costs are directly incurred by SWEPCO, other costs are incurred by its affiliated service company, American Electric Power Service Corporation (AEPSC), and other affiliates for services provided to SWEPCO.

**IV. SUMMARY OF STAFF'S RECOMMENDATION**

**Q. As a result of your review of the Application and other information provided by SWEPCO, do you propose any adjustments to the Company's requested revenue requirement?**

A. Yes. Based on my review of SWEPCO's Application and responses to RFIs, I am proposing several adjustments to the Total Company revenue requirement. These include adjustments to operations and maintenance expense, invested capital, federal income and other taxes, and depreciation expense.

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<sup>3</sup> Application at Schedule A (Oct. 14, 2020).

1     **Q. Does your calculated Total Company revenue requirement reflect the**  
2     **recommendation of other Staff witnesses?**

3     A. My calculated Total Company revenue requirement incorporates the rate of return  
4     recommendations of Staff witness Mark Filarowicz. Please refer to his testimony for  
5     further details and explanations regarding his recommendations.

6     **Q. Please summarize Staff's recommendation.**

7     A. As shown on Schedule I of Attachment RS-1, Staff recommends a Total Company  
8     revenue requirement of \$1,268,737,889, which is an adjustment of (\$115,052,249) to  
9     SWEPCO's request. The Company's requested Total Company revenue requirement, as  
10    well as Staff's adjustments thereto, are presented in the series of schedules included in  
11    this attachment. The first column of each schedule presents the Total Company test-year  
12    book balances. The second column reflects the adjustments proposed by SWEPCO that  
13    result in the March 31, 2020 adjusted total request that is presented in the third column of  
14    each schedule. Staff's adjustments to SWEPCO's request are reflected in the fourth  
15    column and Staff's recommended Total Company revenue requirement is shown in the  
16    last column of each schedule.

17    **V. ADJUSTMENTS TO SWEPCO'S REQUEST**

18    **A. SWEPCO Payroll**

19    **Q. Please describe your proposed adjustment to SWEPCO's requested payroll expense.**

20    A. SWEPCO's requested revenue requirement includes an increase of \$2,143,713 to its test  
21    year payroll expense based on the annualization of the last pay period of the test year  
22    (March 2020) and reflecting a 3.5% salary increase to the base payroll cost.<sup>4</sup> I am  
23    proposing an adjustment of \$544,331 in addition to SWEPCO's requested adjustment

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<sup>4</sup> Direct Testimony of Michael A. Baird at 21:2-7. (Oct. 14, 2020) (Baird Direct).



1 based on a more recent time period.<sup>5</sup> SWEPCO was asked in discovery to provide its  
2 most recent payroll annualized. The October 31, 2020 payroll was annualized using the  
3 employees on the payroll roles as of that date, resulting in a total adjustment to the test-  
4 year expense of \$2,688,044.<sup>6</sup> My proposed adjustment is the difference between  
5 SWEPCO's requested adjustment and this amount.

6 **Q. What accounts for the increase over SWEPCO's proposed adjustment?**

7 A. SWEPCO explains that its request excluded equity adjustments, line of progression  
8 promotions, and a geographic wage equalization adjustment for its craft employees.<sup>7</sup>  
9 SWEPCO also explains that additional differences are likely the result of promotions,  
10 employees qualifying for higher jobs, higher steps, and step-up pay since the test-year  
11 end.<sup>8</sup>

12 **B. AEPSC Payroll**

13 **Q. Are you also proposing an adjustment to SWEPCO's requested allocation of payroll**  
14 **expense from AEPSC?**

15 A. Yes. SWEPCO requests an increase of \$3,804,876 to its test-year allocated AEPSC  
16 payroll expense based on an annualization of the end of test-year headcount and inclusion  
17 of a merit increase.<sup>9</sup> Similar to the SWEPCO payroll adjustment discussed above,  
18 SWEPCO provides an updated calculation based on an annualization of the October 2020  
19 AEPSC payroll allocated to SWEPCO and compared it to the allocated test-year amount

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<sup>5</sup> Attachment RS-2.

<sup>6</sup> Southwestern Electric Power Company's Response to Commission Staff's Fifth Request for Information (SWEPCO's Response to Staff's 5<sup>th</sup> RFI) at Staff 5-27, Attachment 2 (Nov. 30, 2020) (Attachment RS-3).

<sup>7</sup> Southwestern Electric Power Company's Response to Office of Public Utility Counsel's Sixth Request for Information (SWEPCO's Response to OPUC's 6<sup>th</sup> RFI) at OPUC 6-1 (Jan. 20, 2021) (Attachment RS-4).

<sup>8</sup> *Id*

<sup>9</sup> Direct Testimony of Brian J. Frantz at 12:28-29 (Oct. 14, 2020) (Frantz Direct).

1 to derive an adjustment to the test-year amount of (\$675,636).<sup>10</sup> My proposed adjustment  
2 of (\$4,480,512) is the difference between SWEPCO's requested increase and this updated  
3 amount.<sup>11</sup>

4 **Q. What accounts for the significant difference between SWEPCO's request and the**  
5 **updated number?**

6 A. SWEPCO reports that in June and July of 2020, retirement incentive packages were  
7 offered to certain employees and, while only one SWEPCO employee accepted the  
8 retirement incentive package, a total of 189 AEPSC employees accepted the package.<sup>12</sup>

9 **C. Incentive Compensation**

10 **Q. Please explain SWEPCO's request with respect to incentive compensation.**

11 SWEPCO has both short-term (STI) and long-term (LTI) incentive compensation plans.  
12 These plans are explained in detail in the direct testimony of SWEPCO witness Andrew  
13 R. Carlin. While disagreeing with the Commission's precedent of excluding financial  
14 based STI and 50% of the financial based funding mechanisms related to its STI plans,  
15 SWEPCO nonetheless quantifies and excludes these costs from its requested revenue  
16 requirement for its non-union represented employees.<sup>13</sup> Additionally, SWEPCO explains  
17 that it is requesting only the target level of STI for both groups of employees (union and  
18 non-union) and not its actual test year expenses, which were higher.<sup>14</sup>

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<sup>10</sup> SWEPCO's Response to Staff's 5<sup>th</sup> RFI at Staff 5-27, Attachment 1 (Attachment RS-5).

<sup>11</sup> Attachment RS-6.

<sup>12</sup> SWEPCO's Response to Staff's 5<sup>th</sup> RFI at Staff 5-24 (Attachment RS-7)

<sup>13</sup> Direct Testimony of Andrew R. Carlin at 38:27-30 (Oct. 14, 2020) (Carlin Direct).

<sup>14</sup> *Id.* at 39:1-5.

1 **Q. Why did SWEPCO exclude these costs for only its non-union represented**  
2 **employees?**

3 A. SWEPCO cites PURA § 14.006, which precludes the Commission from interfering with  
4 the product of a collective bargaining agreement recognized by federal law and states that  
5 employee wage rates and benefits that are the product of such agreement are presumed to  
6 be reasonable.<sup>15</sup>

7 **Q. What is SWEPCO's request with respect to LTI?**

8 A. SWEPCO explains that it is requesting its test-year level of LTI for the 25% that is  
9 related to restricted stock units, which are not tied to performance measures, but instead  
10 are provided to promote employee retention.<sup>16</sup> Inclusion of the restricted stock units is  
11 consistent with the Commission's order in Docket No. 46449.<sup>17</sup>

12 **Q. Does SWEPCO propose the same type of adjustments for the incentive**  
13 **compensation expenses allocated to it from AEPSC?**

14 A. Yes, it does.

15 **Q. Do you have any adjustments to SWEPCO's proposed incentive compensation**  
16 **requests?**

17 A. Yes. SWEPCO notes in response to discovery that it found an error in the business unit  
18 financial based goal percentage and provides an updated calculation of the amounts.<sup>18</sup>  
19 The updated calculation provided by the Company results in my adjustments of (\$50,709)  
20 and (\$6,131) for SWEPCO and AEPSC, respectively.<sup>19</sup>

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<sup>15</sup> *Id.* at 14:17-15:2.

<sup>16</sup> *Id.* at 42:1-6.

<sup>17</sup> Docket No. 46449, Order on Rehearing, Finding of Fact No. 199.

<sup>18</sup> Southwestern Electric Power Company's Response to Office of Public Utility Counsel's First Request for Information (SWEPCO's Response to OPUC's 1<sup>st</sup> RFI) at OPUC 1-15 (Nov. 23, 2020) (Attachment RS-8).

<sup>19</sup> Attachment RS-9 (SWEPCO) and Attachment RS-10 (AEPSC).

1 **Q. Are you proposing any additional adjustments related to SWEPCO's financial**  
2 **based incentive compensation?**

3 A. Yes. SWEPCO also ascertained during discovery that its request erroneously includes  
4 \$43,345 of financial based incentive compensation that was capitalized.<sup>20</sup> My adjustment  
5 of (\$42,039) removes these costs net of amortization of \$1,306 from SWEPCO's  
6 requested rate base.

7 **D. Supplemental Executive Retirement Plan (SERP)**

8 **Q. Please explain your adjustment to the Company's SERP expenses.**

9 A. Removal of the Company's SERP expenses complies with the Commission's finding in  
10 Docket No. 40443 that these expenses are not reasonable or necessary.<sup>21</sup> SWEPCO  
11 claims that it removed its SERP expenses consistent with this Commission precedent.<sup>22</sup>  
12 When asked to explain where it was removed in the requested revenue requirement,  
13 SWEPCO pointed to its Application at WP A-3.10 (Pension Expense).<sup>23</sup> The following  
14 table is the calculation from this workpaper that SWEPCO claims removes its SERP  
15 expenses from the requested revenue requirement:  
16

<b>Test Year Pension Expense:</b>	
AC 9260003 Pension Plan Service Cost	\$8,879,378
AC 9260062 Pen. Plan Non-Service Cost	(\$1,433,783)

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<sup>20</sup> SWEPCO's Response to Staff's 5<sup>th</sup> RFI at Staff 5-36 (Attachment RS-11).

<sup>21</sup> *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 40443, Order on Rehearing, Finding of Fact No. 227 (Mar. 6, 2014).

<sup>22</sup> Baird Direct at 26:11-13.

<sup>23</sup> SWEPCO's Response to Staff's 5<sup>th</sup> RFI at Staff 5-30 (Attachment RS-12).

AC 9260050 Overhead Loading - Pension	(\$3,031,460)
Total Test Year Pension Expense	\$4,414,135
AC 9260037 SERP – Service Costs, Remove from TY Expense	(\$7,966)
AC 9260042 SERP Non-Service Costs, Remove from TY Expense	(\$85,215)
SWEPCO's Claimed Total Pension Per Books, Excl. SERP	\$4,320,953

1 As shown above, SWEPCO subtracts its SERP expenses of \$7,966 (Service Costs) and  
2 \$85,215 (SERP Non Service Costs) from its total test-year pension expense of  
3 \$4,414,135 to reach an amount of \$4,320,953 that it labels as its total pension expense  
4 per books excluding SERP. SWEPCO then compares this amount with its pro-forma  
5 pension expense of \$6,970,767 to reach its pro-forma adjustment to pension expense of  
6 \$2,649,813. There are two problems with this calculation. The first problem with the  
7 calculation is that by subtracting the SERP expenses from the test-year pension expense  
8 of \$4,414,135, SWEPCO implies that the SERP expenses are included in the pension  
9 expenses. However, the SERP expenses are not included in the \$4,414,135 of expenses  
10 on SWEPCO's books as shown on its test-year-end trial balance.<sup>24</sup> Subtracting these  
11 costs from the total pension expense that does not include them artificially lowers the test  
12 year pension expense and increases the difference between the actual test-year pension  
13 expense and the pro-forma pension expense. Therefore, SWEPCO's adjustment to  
14 pension expense is inflated by the amount of the SERP expenses. Second, this incorrect  
15 calculation still does not remove the SERP expenses from SWEPCO's cost of service.  
16 The SERP expenses remain in SWEPCO's requested test year expenses. My adjustment

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<sup>24</sup> Application at Schedule A-4, SWEPCO's March 31, 2020 Trial Balance (Excerpt of Account 926 from the Trial Balance is provided at Attachment RS-13).

of (\$93,181) is necessary to correctly remove the SERP expenses from SWEPCO's requested revenue requirement and to correctly calculate the pension expense adjustment.

**E. Pension Expense**

**Q. Are you proposing any adjustments to SWEPCO's requested pension expense in addition to the correction related to SERP expenses explained above?**

**A.** Yes. I do have an additional adjustment to SWEPCO's requested pension expense. The test-year overhead loading for pensions was 34.14%, which was determined as follows:

Pension Overhead Loading	\$3,031,460
	÷
Pension Plan Service Cost	<u>\$8,879,378</u>
Pension Overhead Loading %	34.14%

SWEPCO applies its test-year payroll expense to capital ratio of 69.71% to determine its requested pension expense.<sup>25</sup> By applying the test year payroll expense to capitalization factor, SWEPCO is only reflecting pension overhead loading at a rate of 30.29% (100% - 69.71%). SWEPCO does not explain why the test year pension overhead loading rate differed from the test year payroll capitalization rate. SWEPCO also applies the expense to capitalization factor to the non-service cost portion of its adjusted pension expense, contrary to a Financial Accounting Standards Board Accounting Update which permits only the service cost component of pension expense to be capitalized.<sup>26</sup> Using the test year actual overhead loading rate of 34.14% applied to only the service cost portion of the adjusted pension expense results in my adjustment of (\$438,347) to SWEPCO's requested pension expense.<sup>27</sup>

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<sup>25</sup> Baird Direct at 26:3.

<sup>26</sup> Financial Accounting Standards Board, Accounting Standards Update (ASU) No. 2017-17 (Mar. 2017).

<sup>27</sup> Attachment RS-14.

**F. Executive Perquisites**

**Q. Please explain your adjustment to executive perquisites.**

A. SWEPCO identifies \$12,111<sup>28</sup> of its own executive perquisites and \$8,484<sup>29</sup> allocated by AEPSC that are included in its requested cost of service. The Commission's Order in Docket No. 40443 noted:

The \$16,350 related to executive perquisites should not be included in rates because they provide no benefit to ratepayers and are not reasonable or necessary for the provision of electric service.<sup>30</sup>

The Commission made a similar finding in Docket No. 46449.<sup>31</sup> Consistent with these orders, I have included an adjustment of (\$20,595) to remove these expenses from SWEPCO's requested revenue requirement.

**G. Affiliate Carrying Charges**

**Q. What adjustments are you recommending related to SWEPCO's requested affiliate expenses?**

A. I am proposing an adjustment of (\$1,164,427) to remove carrying charges associated with affiliate or shared assets.<sup>32</sup> In Docket No. 43695, the Commission disallowed such carrying charges on affiliate assets, finding that:

A component of the shared facilities charges SPS incurred from affiliates included the carrying costs associated with those facilities. Because these carrying costs are unnecessary and unreasonable, \$1,564,659 should be removed from SPS's affiliate expense. SPS should also make a corresponding decrease to FERC account 922 of \$1,187,726 in revenue

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<sup>28</sup> SWEPCO's Response to Staff's 5<sup>th</sup> RFI at 5-35 (Attachment RS-15).

<sup>29</sup> *Id.* at Staff 5-32 (Attachment RS-16).

<sup>30</sup> Docket No. 40443, Order on Rehearing, Finding of Fact No. 221.

<sup>31</sup> Docket No. 46449, Order on Rehearing, Finding of Fact No. 200.

<sup>32</sup> SWEPCO's Response to Staff's 5<sup>th</sup> RFI at Staff 5-48 (Attachment RS-17).

SPS has received related to carrying costs. This results in a net reduction of \$376,933 (total company).<sup>33</sup>

My recommendation is based on this Commission precedent. It is also consistent with the Proposal for Decision (PFD) issued by the administrative law judges in a recent rate case for SWEPCO's sister company, AEP Texas, Inc., in Docket No. 49494.<sup>34</sup>

**Q. Why are you recommending the exclusion of both the debt and equity returns from SWEPCO's cost of service when you recommended the removal of only the equity portion in its last case, Docket No. 46449, and the Commission adopted your recommendation?**

A. My recommendation in Docket No. 46449 was based on my mistaken interpretation of the Commission's precedent in Docket No. 43695. Both the debt and equity returns were excluded from cost of service in that case and in the PFD for Docket No. 49494, cited above. In adopting the dollar amounts of my recommendation in Docket No. 46449, the Commission's Order in that proceeding speaks to "carrying costs" as being unnecessary and unreasonable and does not distinguish its ruling as specific to equity carrying costs.<sup>35</sup>

**Q. Do you recommend any other affiliate adjustments?**

A. Yes. Consistent with the Commission rulings related to affiliate carrying charges in Docket No. 43695, I am also recommending removal of the carrying charges SWEPCO received from its affiliates in the form of rent billings (and included in rent income) in the amount of (\$530,384).<sup>36</sup> Reducing rent income partially offsets the reduction for carrying charges paid by SWEPCO. The net adjustment to SWEPCO's revenue requirement resulting from these adjustments to carrying charge revenues and expenses is (\$634,043).

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<sup>33</sup> *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 43695, Order on Rehearing, Finding of Fact No. 137 (Feb. 23, 2016).

<sup>34</sup> *Application of AEP Texas, Inc. for Authority to Change Rates*, Docket No. 49494, Proposal for Decision at 232.

<sup>35</sup> Docket No. 46449, Order on Rehearing, Finding of Fact No. 212.

<sup>36</sup> See Attachment RS-17.



**H. Regulatory Commission Expense**

**Q. Please explain your adjustment to regulatory commission expense.**

A. SWEPCO notes that it inadvertently included \$46,306 in its requested regulatory commission expenses that should have been removed.<sup>37</sup> My adjustment of (\$46,306) excludes this amount from the Company's requested revenue requirement.

**I. Factoring Expense**

**Q. Would you please explain the concept of factoring expense?**

A. SWEPCO sells its accounts receivable on a daily basis to an affiliate, AEP Credit. The effect of this arrangement is that SWEPCO receives its revenue quicker than it would if it had to wait for its customers to remit payments when their bills are actually due. This practice is commonly referred to as factoring. The fees paid by SWEPCO to AEP Credit for this service are factoring expenses.

**Q. Please explain SWEPCO's proposed adjustment to factoring expense.**

A. SWEPCO presents its factoring expense in two parts. First, it adjusts its test year factoring expense based on adjustments to test year base and fuel revenues and its requested return on common equity in this proceeding to reach an adjusted test year factoring expense. The Company then uses the effective factoring rate derived from that calculation to increase factoring expense based on its requested revenue deficiency.

The Company's proposed factoring expense calculation, including its proposed effective carrying cost rate, effective bad debt rate, and banking fee, is presented at WP/A-3.5 of the Application.<sup>38</sup> SWEPCO uses these three components to reach its proposed effective factoring rate of 0.521277%. Attachment RS-19 presents a side-by-

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<sup>37</sup> SWEPCO's Response to Staff's 5<sup>th</sup> RFI at Staff 5-63 (Attachment RS-18).

<sup>38</sup> Included herein at Page 2 of Attachment RS-19.

1 side comparison of SWEPCO's factoring expense and its calculation of an effective  
2 factoring rate and my recommended calculation.<sup>39</sup>

3 **Q. Please discuss your adjustment to SWEPCO's request related to factoring expense.**

4 A. As shown in SWEPCO's calculation at Attachment RS-19, the carrying charge factor  
5 consists of a debt component and an equity component. AEP Credit's SEC approved  
6 capital structure is 95% debt and 5% equity. The debt component of the carrying charge  
7 factor is calculated by multiplying the 95% debt ratio times the daily interest rate. I have  
8 made no change to SWEPCO's calculated debt component. The equity component of  
9 SWEPCO's factoring expense calculation is based on its requested 10.35% return on  
10 equity (ROE) multiplied by 5%. My calculation uses the 9.225% ROE recommended in  
11 the testimony of Staff witness Mark Filarowicz. Inserting the 9.225% ROE into my  
12 calculation results in a total effective factoring rate of 0.514884%. The application of  
13 this effective factoring rate results in an adjustment of (\$710,188) to SWEPCO's  
14 requested factoring expense. The effective factoring rate ultimately approved should be  
15 determined based on the ROE adopted by the Commission in this proceeding.  
16

17 **J. Amortization of Intangibles**

18 **Q. What adjustment are you proposing related to the amortization of SWEPCO's**  
19 **intangible assets?**

20 A. SWEPCO's request includes an amount of amortization related to an intangible asset that  
21 was fully amortized as of the end of the test year.<sup>40</sup> My adjustment of (\$1,855,750)  
22 corrects this error.  
23

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<sup>39</sup> Attachment RS-19 at 1.

<sup>40</sup> Southwestern Electric Power Company's Response to Commission Staff's Ninth Request for Information (SWEPCO's Response to Staff's 9<sup>th</sup> RFI) at Staff 9-24 (Feb. 16, 2021) (Attachment RS-20).

**K. Interest on Customer Deposits**

**Q. Please explain SWEPCO's proposed adjustment for interest on customer deposits.**

A. In calculating its requested interest on customer deposits, SWEPCO applies the calendar-year 2020 rate of 2.21% for interest on customer deposits set by the Commission in Project No. 45319.<sup>41</sup>

**Q. Are you proposing an adjustment to SWEPCO's requested interest on customer deposits?**

A. Yes. I propose to use the most recent Commission-adopted rate of 0.61% for calendar-year 2021 to calculate interest on customer deposits.<sup>42</sup> This produces my proposed interest on customer deposits expense of \$396,941 and my resulting adjustment of (\$1,041,156) to SWEPCO's request.

**L. Retired Generating Units**

**Q. Please explain your recommendations regarding the retirements of SWEPCO generating units.**

A. SWEPCO explains that since its last base rate case filed in 2016, Docket No. 46449, five generating units have been retired:

<u>Unit</u>	<u>Retirement Date</u>
Knox Lee Unit 4	January 2019
Knox Lee Unit 2	May 2020
Knox Lee Unit 3	May 2020
Lieberman Unit 2	May 2020
Lone Star Unit 1	May 2020 <sup>43</sup>

<sup>41</sup> *Setting Interest Rates for Calendar Year 2020*, Project No. 45319, Order (Nov. 15, 2019).

<sup>42</sup> *Setting Interest Rates for Calendar Year 2021*, Project No. 45319, Order (Nov. 19, 2020).

<sup>43</sup> Direct Testimony of Monte A. McMahon at 9:7-10 (Oct. 14, 2020) (McMahon Direct).

1  
2 **Q. Is SWEPCO proposing any adjustments to its requested revenue requirement**  
3 **related to these retirements?**

4 A. Yes. SWEPCO reflects an adjustment of (\$616,316) to remove the operations and  
5 maintenance expenses associated with these recently retired generating units.<sup>44</sup>

6 **Q. Does SWEPCO propose any other adjustments related to these retired units?**

7 A. No, SWEPCO does not propose any additional adjustments related to the retirements.

8 **Q. Is there Commission precedent related to the treatment of retired units?**

9 A. Yes, there is Commission precedent for the treatment of retired generating units. In  
10 SWEPCO's last base rate case, Docket No. 46449, the Commission addressed the  
11 treatment of SWEPCO's retired Welsh Unit 2 plant and made the following findings:

12 65. SWEPCO retired Welsh unit 2 in April of 2016.<sup>45</sup>

13 66. Welsh unit 2 no longer generates electricity and is not used by and  
14 useful to SWEPCO in providing electric service to the public.<sup>46</sup>

15 67. Under the FERC uniform system of accounts, the appropriate  
16 accounting treatment for the retirement is to credit plant in service  
17 with the original cost of the Welsh unit 2 and debit accumulated  
18 depreciation with the same amount. This would leave a debit  
19 balance in accumulated depreciation equal to the undepreciated  
20 balance of Welsh unit 2.<sup>47</sup>

21 68. Because Welsh unit 2 is no longer used and useful, SWEPCO may  
22 not include its investment associated with the plant in its rate base,  
23 and may not earn a return on that remaining investment.<sup>48</sup>

24 69. Allowing SWEPCO a return of, but not on, its remaining  
25 investment in Welsh unit 2 balances the interests of ratepayers and

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<sup>44</sup> *Id.* at 21:1-2.

<sup>45</sup> Docket No. 46449 Order on Rehearing, Findings of Fact No. 65.

<sup>46</sup> *Id.*, Finding of Fact No. 66.

<sup>47</sup> *Id.*, Finding of Fact No. 67.

<sup>48</sup> *Id.*, Finding of Fact No. 68.

shareholders with respect to a plant that no longer provides service.<sup>49</sup>

70. It is reasonable for SWEPCO to recover the remaining undepreciated balance of Welsh unit 2 over the 24-year remaining lives of Welsh units 1 and 3.<sup>50</sup>

71. The appropriate accounting treatment that results in the appropriate ratemaking treatment is to record the undepreciated balance of Welsh unit 2 in a regulatory-asset account.<sup>51</sup>

**Q. Is it reasonable to treat the generating units retired since Docket No. 46449 consistent with the regulatory treatment established in that case?**

A. Yes, it is. Accordingly, I have reflected an adjustment of (\$13,240,470) to SWEPCO's requested rate base to remove the net book value of the retired units.<sup>52</sup> SWEPCO explains in response to discovery that the Company does not track book value for individual units in its property records.<sup>53</sup> SWEPCO does provide the net book values of the plants in April 2020 (the month prior to the retirements) and in May 2020 (the month of the retirements) as well as the total amount of \$13,240,470 recorded for the retirements of the units at each plant.<sup>54</sup> The Commission precedent established in Docket No. 46449 called for amortizing Welsh Unit 2 over the remaining lives of the two Welsh units that remained in service (Units 1 and 3). In this case, the retired units were not retired early, but were retired at the end of their estimated useful lives as established in Docket No. 46449. I therefore recommend that the net book value of the retired plants be placed in a regulatory asset and amortized over the four-year period that rates from this case are expected to be in effect. I have calculated an adjustment of \$3,310,118 to amortization

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<sup>49</sup> *Id.*, Finding of Fact No. 69.

<sup>50</sup> *Id.*, Finding of Fact No. 70.

<sup>51</sup> *Id.*, Finding of Fact No. 71.

<sup>52</sup> Attachment RS-23.

<sup>53</sup> Southwestern Electric Power Company's Response to Commission Staff's Fifteenth Request for Information (SWEPCO's Response to Staff's 15<sup>th</sup> RFI) at Staff 15-1 (Mar. 30, 2021). (Attachment RS-24).

<sup>54</sup> Southwestern Electric Power Company's Response to Cities Advocating Reasonable Deregulation's Ninth Set of Requests for Information (SWEPCO's Response to CARD's 9<sup>th</sup> RFI) at CARD 9-2. (Mar. 29, 2021) (Attachment RS-25).

1 expense to recognize this amortization.<sup>55</sup> Together these adjustments provide for a return  
2 of, but not on, SWEPCO's remaining investment in these units consistent with  
3 Commission precedent. Additionally, I have reflected an adjustment of (\$464,939) to  
4 depreciation expense to exclude the depreciation expense related to these plants in  
5 SWEPCO's requested revenue requirement, and I removed the net book value of the  
6 retired units from the plant balance used to calculate ad valorem taxes.<sup>56</sup>

7 **M. Dolet Hills**

8 **Q. Please explain SWEPCO's request with respect to the Dolet Hills generating plant.**

9 A. SWEPCO explains that lignite production operations halted at the associated DH Mines  
10 in May 2020 after SWEPCO and Cleco Power, LLC, the joint owner of Dolet Hills,  
11 determined that all economically recoverable lignite had been recovered.<sup>57</sup> It was then  
12 decided that the Dolet Hills plant would be retired no later than December 31, 2021.<sup>58</sup>  
13 SWEPCO is proposing to offset the undepreciated balance of Dolet Hills with the balance  
14 of excess accumulated deferred federal income tax (ADFIT) liabilities owed to ratepayers  
15 associated with the Tax Cuts and Jobs Act of 2017 (TCJA).<sup>59,60</sup> Because the proposed  
16 offset for the excess ADFIT liabilities owed ratepayers as calculated by SWEPCO is less  
17 than the undepreciated book balance of Dolet Hills, the Company proposes to amortize  
18 the balance remaining after the offset over a four year period, as that is the time period  
19 the Company anticipates between rate cases.<sup>61</sup>

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<sup>55</sup> Attachment RS-23.

<sup>56</sup> *Id.*

<sup>57</sup> Direct Testimony of Thomas P. Brice at 6:7-9 (Oct. 14, 2020) (Brice Direct).

<sup>58</sup> *Id.* at 6:11-12.

<sup>59</sup> Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, Pub. L. No. 115-97, 113 Stat. 2054 (Dec. 22, 2017).

<sup>60</sup> Baird Direct at 23:7-10.

<sup>61</sup> *Id.* at 23:10-11.

1 **Q. Do you propose that the Commission adopt SWEPCO's proposal with respect to its**  
2 **requested revenue requirement associated with the early retirement of Dolet Hills?**

3 A. No, I do not. Even if it was reasonable, in the public interest, and consistent with  
4 established precedent for the Commission to adopt SWEPCO's proposal to net the excess  
5 ADFIT refunds owed to ratepayers with the net book value of Dolet Hills and accelerate  
6 recovery of the net remaining balance over a compressed 4 year period, SWEPCO has  
7 failed to recognize the early retirement of the plant with respect to other aspects of its  
8 requested cost of service. SWEPCO quantifies its total requested revenue requirement  
9 associated with Dolet Hills as \$29,434,851.<sup>62</sup> Of this amount, \$10,120,876 relates to the  
10 four-year amortization of the SWEPCO adjusted net balance remaining after the excess  
11 ADFIT offset and \$3,474,389 represents return and the associated federal income taxes  
12 on that adjusted balance.<sup>63</sup> The breakdown of SWEPCO's quantification is as follows:

13

Return plus Income Taxes	\$ 3,474,389
Property Taxes	\$ 2,835,700
Gross Margin Tax	\$ 154,533
Revenue Taxes	\$ 382,411
Depreciation/Amortization Expense	\$10,120,876
O&M Expense	\$12,466,942
Total Revenue Requirement	\$29,434,851

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<sup>62</sup> Southwestern Electric Power Company's Response to Office of Public Utility Counsel's Fifth Request for Information (SWEPCO's Response to OPUC's 5th RFI) at OPUC 5-7 (Jan. 11, 2021) (Attachment RS-26).

<sup>63</sup> *Id*

1 **Q. Does SWEPCO's quantification include all of the requested revenue requirement**  
2 **amounts associated with the Dolet Hills plant presented in its rate filing package?**

3 A. No, it does not. SWEPCO identifies an additional \$1,847,918 in FERC account 501 for  
4 base rate fuel expenses included in its requested revenue requirement.<sup>64</sup> This amount is  
5 not included in the \$12,466,942 of total production operations and maintenance expense  
6 (O&M) (excluding fuel and purchased power) reflected in SWEPCO's quantification.  
7 SWEPCO also identifies \$442,574 of property insurance associated with the Dolet Hills  
8 plant that was excluded from its quantification.<sup>65</sup> Additionally, there are mining  
9 operations associated with the Dolet Hills plant that will cease production and costs  
10 related to these operations are also included in SWEPCO's requested cost of service. The  
11 return and associated federal income taxes on its Oxbow mine investment is included in  
12 its requested revenue requirement in the amount of \$1,412,622<sup>66</sup> and the equity return of  
13 \$1,418,666 on its Dolet Hills Lignite Company investment is included as a fuel  
14 expense.<sup>67</sup> The sum of these additional expenses in the amount of \$5,121,780 and  
15 SWEPCO's initial quantification of \$29,434,851 equals \$34,556,631 of expenses in  
16 SWEPCO's requested annual revenue requirement for a plant and related mining  
17 operations that will cease to be used and useful just two months after the final order  
18 deadline in this proceeding.<sup>68</sup> Over the four-year anticipated time-period between rate  
19 cases, Commission approval of SWEPCO's request would result in the Company  
20 recovering \$138,226,524 (\$34,556,631 times 4 years) for a plant and mining operations  
21 that will not be providing service to ratepayers for almost that entire time. This outcome  
22 is clearly not in the public interest.

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<sup>64</sup> SWEPCO's Response to Staff's 9<sup>th</sup> RFI at Staff 9-8 (Attachment RS-27).

<sup>65</sup> SWEPCO's Response to Staff's 5<sup>th</sup> RFI at Staff 5-57, Attachment 1 (Attachment RS-22).

<sup>66</sup> Rate base amount of \$16,576,181 times SWEPCO's requested ROR grossed-up for taxes.

<sup>67</sup> SWEPCO's Response to Staff's 5<sup>th</sup> RFI at Staff 5-61 (Attachment RS-28).

<sup>68</sup> SOAH Order No. 2 at 3, Procedural Schedule - Final Order Deadline October 27, 2021 (Nov. 23, 2020).



1 **Q. Are there other impacts to SWEPCO's costs associated with the retirement of Dolet**  
2 **Hills?**

3 A. Yes. In addition to the costs included in its requested revenue requirement identified  
4 above, SWEPCO estimates the retirement of Dolet Hills will produce up to \$180 million  
5 in fuel savings.<sup>69</sup> None of the estimated fuel savings are reflected in this proceeding.<sup>70</sup>

6 **Q. Does SWEPCO explain why it did not make any adjustments to its operating**  
7 **expenses to reflect the early retirement of Dolet Hills?**

8 A. SWEPCO notes that Dolet Hills will be providing service to customers at the beginning  
9 of the rate year and that this will result in non-fuel O&M billings.<sup>71</sup> SWEPCO further  
10 offers that in Docket No. 40443, the Commission included Welsh Unit 2 in rate base  
11 without altering its depreciable life and included the associated expenses because it  
12 would continue to be in operation when rates were effective.<sup>72</sup> SWEPCO explains that its  
13 proposal with respect to Dolet Hills is consistent with the Commission's treatment of  
14 Welsh Unit 2 in Docket No. 40443 because it includes the still operating unit in rate base  
15 and includes all applicable expenses so the unit can continue to operate at the beginning  
16 of the rate year.<sup>73</sup> SWEPCO also states that the Commission's post-test-year adjustment  
17 rule applies to plants retired prior to the rate year and as such it would not be appropriate  
18 to remove Dolet Hills non-fuel O&M expenses or AEPSC billings in this case.<sup>74</sup>

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<sup>69</sup> Brice Direct at 6:21–7:2.

<sup>70</sup> SWEPCO's Response to Staff's 5<sup>th</sup> RFI at Staff 5-56 (Attachment RS-29).

<sup>71</sup> Southwestern Electric Power Company's Response to Cities Advocating Reasonable Deregulation's Second Set of Requests for Information (SWEPCO's Response to CARD's 2<sup>nd</sup> RFI) CARD 2-13 (Nov. 16, 2020) (Attachment RS-30).

<sup>72</sup> Southwestern Electric Power Company's Response to Cities Advocating Reasonable Deregulation's Seventh Set of Requests for Information (SWEPCO's Response to CARD's 7<sup>th</sup> RFI) at CARD 7-20 (Mar. 2, 2021) (Attachment RS-31).

<sup>73</sup> *Id.*

<sup>74</sup> *Id.*

1           SWEPCO acknowledges that 16 TAC § 25.231(b) speaks to adjustments to  
2           operating revenues and expenses and that SWEPCO has incorporated numerous  
3           adjustments for known and measurable changes under this section.<sup>75</sup> SWEPCO  
4           specifically identifies its proposed accelerated recovery of the Dolet Hills Power Station  
5           as an adjustment it believes is reasonably certain to occur after the March 31, 2020 test  
6           period.<sup>76</sup> In my opinion, at a minimum, the known and measurable decreases to  
7           SWEPCO's operating expenses attributable to the retirement of Dolet Hills should be  
8           recognized in this case.

9   **Q.   Is it appropriate to address the early retirement of Dolet Hills in this proceeding?**

10  A.   Yes, it is. I believe the early retirement of Dolet Hills should be treated in a manner  
11       similar to the way the Commission handled the early retirement of SWEPCO's Welsh  
12       Unit 2 in Docket No. 46449, discussed above, rather than SWEPCO's proposal to treat it  
13       as the Commission did in the prior case, Docket No. 40443. While Welsh Unit 2 was  
14       retired prior to the end of the test year in Docket No. 46449, the Dolet Hills plant is still  
15       in service. However, it will be retired during the rate year associated with this  
16       proceeding, which was not the case with Welsh Unit 2 in Docket No 40443. As noted  
17       above, it will be retired approximately two months after the Commission is anticipated to  
18       issue its final order in this proceeding. These circumstances suggest that the Commission  
19       should address the retirement of Dolet Hills in this case, not four years from now when  
20       SWEPCO would have recovered in excess of \$138 million from its ratepayers for a plant  
21       that did not provide service to them for the majority of that time period. SWEPCO has  
22       made a proposal of its own to address the early retirement of Dolet Hills in this

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<sup>75</sup> Southwestern Electric Power Company's Response to Cities Advocating Reasonable Deregulation's Fourth Set of Requests for Information (SWEPCO's Response to CARD's 4th RFI) at CARD 4-2 (Dec. 15, 2020) (Attachment RS-32).

<sup>76</sup> *Id*

proceeding that deviates from standard recovery mechanisms and Commission precedent that greatly benefits the Company to the detriment of ratepayers.

**Q. What is your proposal with respect to the early retirement of Dolet Hills?**

A. I propose that the Commission allow SWEPCO to recover the return, depreciation, O&M, and taxes associated with the operation of Dolet Hills from March 18, 2021 (the relate-back date of rates in this proceeding) through December 31, 2021. I have calculated these amounts and divided the total by four years to reflect the time-period the rates from this case are presumed to be in effect.<sup>77</sup> My adjustment also removes SWEPCO's requested net book value associated with Dolet Hills and the Oxbow mine investment from rate base as well as the Dolet Hills depreciation expense.<sup>78</sup> I propose that SWEPCO book a regulatory asset of \$118,936,606 to allow recovery of but not on the remaining net book balance of SWEPCO's Dolet Hills investment at December 31, 2021 over the projected remaining life for the plant from Docket No. 46449. In that case, it was projected that Dolet Hills would be retired in 2046.<sup>79</sup> Based on that projection, at its December 31, 2021 retirement date, the amortization period for recovery of the Dolet Hills regulatory asset will be 24.5 years. My proposed treatment of the retirement of Dolet Hills, results in the inclusion of \$11,573,440 in SWEPCO's revenue requirement consisting of the following:<sup>80</sup>

Return and FIT	\$ 1,865,403
Depreciation	\$ 1,625,489
Amortization	\$ 3,944,326
O&M	\$ 3,174,560

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<sup>77</sup> Attachment RS-33 at 1.

<sup>78</sup> *Id.* at 2.

<sup>79</sup> Southwestern Electric Power Company's Response to Texas Industrial Energy Consumers' First Request for Information (SWEPCO's Response to TIEC's 1<sup>st</sup> RFI) at TIEC 1-16 (Nov. 12, 2020) (Attachment RS-34).

<sup>80</sup> Attachment RS-33 at 1.

1	Oxbow Return	\$ 254,737
2	Property Taxes	<u>\$ 708,925</u>
3	Total	\$11,573,440

4 **Q. Is there another factor that supports recovery of the remaining net book value of**  
5 **Dolet Hills over the projected useful life of the plant approved in Docket No. 46449?**

6 A. Yes. In that case, SWEPCO was allowed recovery of environmental retrofits for the  
7 Dolet Hills plant. The net book value of those investments at the March 31, 2020 test-  
8 year end for this case was \$47,151,864<sup>81</sup> or approximately 39% of the test-year end total  
9 book value of Dolet Hills of \$121,384,896.<sup>82</sup> The order on rehearing in Docket No.  
10 46449 was issued in March 2018 with the expectation that those costs would be  
11 recovered through 2046 as discussed above, rather than over the compressed four-year  
12 period now proposed by SWEPCO.

13 **Q. Are there other considerations that support your proposed treatment of the early**  
14 **retirement of the Dolet Hills plant?**

15 A. Yes. First, SWEPCO states with respect to its request for deferral of approved Southwest  
16 Power Pool (SPP) open access transmission tariff (OATT) charges:

17 SWEPCO's net Test Year SPP transmission charges, however, are not  
18 representative of the amount of such charges going forward. Indeed, the  
19 Test Year costs incurred by SWEPCO under the SPP OATT will be  
20 outdated when the rates established in this proceeding take effect. To  
21 address this reality, SWEPCO is proposing in this case that the portion of  
22 its ongoing SPP OATT charges that is above or below the net test year  
23 level be deferred to a regulatory asset or liability until they can be  
24 addressed in a future base-rate proceeding.<sup>83</sup>

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<sup>81</sup> SWEPCO's Response to TIEC's 1<sup>st</sup> RFI at TIEC-1-16 (Attachment RS-34).

<sup>82</sup> Attachment RS-33 at 1.

<sup>83</sup> Application at 9.

1 The costs that SWEPCO requests in its revenue requirement with respect to Dolet Hills  
2 will be outdated months after the rates from this case go into effect (and just two months  
3 after the final order deadline).

4 Second, Dolet Hills is not the only plant SWEPCO is planning to retire early.  
5 SWEPCO has announced that it is planning to retire its H.W. Pirkey power plant early as  
6 well, estimating that Pirkey will cease burning coal by March 31, 2023.<sup>84</sup> This is  
7 approximately midway through the estimated period that rates from this case are expected  
8 to be in effect. SWEPCO identifies \$57,206,148 as included in its revenue requirement  
9 in this proceeding related to Pirkey and those costs will continue to be in SWEPCO's  
10 rates until changed in the next base rate case.<sup>85</sup> I am not recommending any adjustments  
11 be made to SWEPCO's revenue requirement related to Pirkey in this proceeding.

12 **Q. Why are you not recommending a treatment similar to your proposed treatment of**  
13 **Dolet Hills for the early retirement of the Pirkey plant?**

14 A. I am not recommending any adjustments related to the early retirement of Pirkey to  
15 SWEPCO's revenue requirement in this case for several reasons. First, the anticipated  
16 retirement of Pirkey is similar to that of Welsh Unit 2 in Docket No. 40443. Both plants  
17 would continue to operate and provide service to ratepayers past the end of the rate year.  
18 Second, while the retirement date for Pirkey is estimated to be by March 31, 2023, that  
19 could change. The retirement date for Dolet Hills is more certain, with SWEPCO having  
20 given the Arkansas Public Service Commission official notice that it will retire Dolet  
21 Hills no later than December 31, 2021.<sup>86</sup> Lastly, given the recent winter weather event in  
22 Texas, there exists the possibility of mandates related to generation, even for non-

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<sup>84</sup> SWEPCO's Response to CARD's 7<sup>th</sup> RFI at CARD 7-17 (Attachment RS-35).

<sup>85</sup> SWEPCO's Response to Staff's 9<sup>th</sup> RFI at Staff 9-2 (Attachment RS-36).

<sup>86</sup> *In the Matter of the Application of Southwestern Electric Power Company for Approval of a General Change in Rates and Tariffs*, Docket No. 19-008-U, Notice Pursuant to Unanimous Modified Settlement Agreement (Nov. 25, 2020).

1 ERCOT utilities like SWEPCO, from the Texas Legislature, the Federal Energy  
2 Regulatory Commission (FERC), and the North American Electric Reliability  
3 Corporation (NERC). This could impact SWEPCO's planned early retirement of Pirkey.  
4 I do recommend that the Commission order SWEPCO to file earnings monitoring reports  
5 every six months beginning six months after the date Pirkey is retired and continuing  
6 until it files its next base rate case to ensure that any potential overearnings related to the  
7 plant's early retirement are dealt with in a timely manner.

8 **Q. Are there other ways the Commission could deal with the early retirements of Dolet**  
9 **Hills and Pirkey in this case?**

10 A. Yes. The Commission's final order in this proceeding, expected to be issued in October  
11 2021, could include a requirement that SWEPCO file another rate case in June 2022  
12 using a December 2021 test-year end and a subsequent case in September 2023 using a  
13 March 31, 2023 test year end to coincide with the plant retirement dates. Although these  
14 proceedings would necessitate the incurrence of rate-case expenses, given the costs of  
15 prior proceedings, those expenses should still be much less than the costs of Dolet Hills  
16 and Pirkey included in SWEPCO's requested revenue requirement in this case. On the  
17 other hand, the Commission, at its discretion, can determine the appropriate time for the  
18 filing of SWEPCO's next rate case based on its filed earnings monitoring reports. As an  
19 option, the Commission could order SWEPCO to begin recording regulatory liabilities  
20 for the costs included in the revenue requirement associated with Dolet Hills and Pirkey  
21 in this case commencing on the retirement dates of each plant. Alternatively, the  
22 Commission's order in this proceeding could require a step-down of SWEPCO's rates in  
23 January 2022 and April 2023 to recognize the early retirement of these plants.

24 **Q. Please explain the reasoning behind your proposals for the retirements of the Dolet**  
25 **Hills and Pirkey Plants.**

1 A. I believe my recommendation provides SWEPCO the opportunity to recover its full cost  
2 of service for operating Dolet Hills for the period that it will actually be providing service  
3 to ratepayers and then reflect the Commission's precedent with respect to retired plants  
4 that are no longer used and useful once the plant is retired. This recommendation also  
5 provides for refunds to ratepayers of the amounts owed to them by SWEPCO because of  
6 the tax rate decreases of the TCJA, as discussed below. My recommendation provides  
7 for monitoring SWEPCO's earnings once Pirkey is retired to timely address any potential  
8 overearnings associated with the Company removing that plant from service. This  
9 recommendation is fair to both SWEPCO and its ratepayers and provides flexibility with  
10 respect to the retirement of the Pirkey plant.

11 **N. NOLC ADFIT Asset**

12 **Q. Please explain SWEPCO's request to reduce its ADFIT balance for a net operating**  
13 **loss carryforward (NOLC) ADFIT asset calculated on a separate stand-alone return**  
14 **basis.**

15 A. SWEPCO claims that its adjustment to add \$455,122,490 to its rate base is the amount of  
16 an NOLC ADFIT asset related to accelerated depreciation that has not been able to  
17 produce cash benefits to the Company on a separate return basis as of the end of the test-  
18 year.<sup>87</sup> According to SWEPCO, this is the ADFIT associated with tax losses it has  
19 generated in excess of taxable income that it has not been able to offset under the Internal  
20 Revenue Code (IRC).<sup>88</sup> SWEPCO asserts that it is appropriate to decrease its ADFIT  
21 balance by the addition of this NOLC ADFIT asset to rate base because of the IRC  
22 normalization rules and the provisions of PURA § 36.060 and 16 TAC  
23 § 25.231(b)(1)(D).<sup>89</sup> SWEPCO further claims that cash benefits associated with

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<sup>87</sup> Direct Testimony of David A. Hodgson at 27:13-17 (Oct. 14, 2020) (Hodgson Direct).

<sup>88</sup> *Id.* at 27:18-21.

<sup>89</sup> *Id.* at 28:10-12.

1 deductions for accelerated depreciation should not be passed to customers any sooner  
2 than they would be received by SWEPCO if it filed a separate tax return.<sup>90</sup>

3 **Q. Does SWEPCO actually file a separate stand-alone federal income tax return with**  
4 **the Internal Revenue Service (IRS)?**

5 A. No, SWEPCO does not actually file a separate stand-alone tax return. SWEPCO is  
6 included in the consolidated return of AEP, Inc. SWEPCO's proposed adjustment is not  
7 based on an actual filed separate, stand-alone return (because, as noted above, SWEPCO  
8 does not file such a return) or on its actual books and records; rather, it is based on a  
9 calculation that *fictitiously assumes* the filing of a separate stand-alone return by  
10 SWEPCO.

11 **Q. Would you please provide a brief explanation of ADFIT and the IRC normalization**  
12 **rules relevant to this issue?**

13 A. In their simplest form, the normalization rules require utilities like SWEPCO to compute  
14 the federal income tax expense recovered in rates using a period no shorter than the  
15 period used to compute depreciation expense and the same method used to compute  
16 depreciation expense in setting rates.<sup>91</sup> The temporary difference between the amount of  
17 federal income tax expense collected through rates and the actual federal income tax paid  
18 because of the use of accelerated depreciation creates a reserve for deferred taxes known  
19 as ADFIT.<sup>92</sup> This ADFIT liability balance is typically reflected as a reduction to rate  
20 base because it is a source of cost-free capital available to the utility. When the use of  
21 accelerated depreciation creates tax losses that cannot be used to offset taxable income  
22 under the IRC, a tax net operating loss carryforward exists. The amount of taxes not  
23 offset by the NOLC are booked as a NOLC ADFIT asset to reflect that this amount has

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<sup>90</sup> *Id.* at 28:12-15.

<sup>91</sup> 26 U.S.C. § 168(i)(9)(A)(i).

<sup>92</sup> 26 U.S.C. § 168(i)(9)(A)(ii).



1 not provided cost free capital by offsetting taxes. While not explicitly addressed in the  
2 IRC, a Treasury Regulation<sup>93</sup> and private letter rulings (PLRs) issued by the IRS have  
3 determined that to the extent an amount of NOLC is due to the use of accelerated  
4 depreciation, the NOLC ADFIT asset must be included in rate base to comply with  
5 normalization requirements. PLRs are written opinions and interpretations of tax laws  
6 issued by the IRS at the request of a taxpayer based on the specific facts and  
7 circumstances represented by the taxpayer. While PLRs may not be used or cited as  
8 precedent, taxpayers often rely on them as guidance on how the IRS might rule in similar  
9 circumstances.

10 **Q. Do the normalization rules require the addition of a \$455,122,490 NOLC ADFIT**  
11 **asset to SWEPCO's rate base in this case?**

12 A. No, they do not. If the amount of SWEPCO's NOLC had not been used to reduce taxes  
13 and remained on SWEPCO's books as of the test year end, that amount would be  
14 required to be reflected as a NOLC ADFIT asset to reflect the fact that the amount had  
15 not provided cost free capital by reducing the amount of taxes paid. That, however, is not  
16 the case. The amount SWEPCO seeks to include is a derived amount based on SWEPCO  
17 hypothetically filing a stand-alone tax return. The NOLC ADFIT asset SWEPCO seeks  
18 to include in rate base no longer exists on its books because it *has* been used to reduce  
19 taxes. SWEPCO provides a detailed discussion of the normalization rules that may give  
20 the impression that the rules require the treatment SWEPCO requests in this case, but in  
21 fact they do not.

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<sup>93</sup> Treas. Reg. § 1.167(l)-1(h)(1)(iii).

1 **Q. Please explain why the normalization rules do not require the treatment SWEPCO**  
2 **requests in this case.**

3 A. The PLRs related to NOLC ADFIT assets referenced above are attached to the testimony  
4 of SWEPCO witness David A. Hodgson at Exhibit DAH-1 through Exhibit DAH-7. Mr.  
5 Hodgson correctly characterizes the opinions of the IRS with respect to the normalization  
6 rules requiring NOLC ADFIT asset inclusion in rate base in those specific instances  
7 presented in the PLRs.<sup>94</sup> These PLRs consistently concluded that the “NOLC-related  
8 account balances” associated with the use of accelerated depreciation must be included in  
9 rate base to avoid normalization violations. SWEPCO’s NOLC-related account balance  
10 is \$0 in its actual books and records. Like SWEPCO, most of the utility taxpayers in  
11 these PLRs are members of a group that files a consolidated tax return. I did not find any  
12 instance where the PLRs mention the calculation of the NOLC deferred tax asset on a  
13 separate stand-alone return basis for those that were members of a consolidated group.  
14 Out of the seven PLRs attached to Mr. Hodgson’s testimony, there was one mention of  
15 the term “separate company basis.” That occurred in one paragraph of one PLR (out of  
16 seven) that was twenty-one pages in length. That term was used in describing the  
17 background of the case and was not used anywhere in the IRS discussion of the  
18 normalization rules or in its actual rulings. The words “stand-alone” do not appear in the  
19 PLRs even though most of the taxpayers requesting the PLRs were members of a group  
20 filing consolidated tax returns.

21 **Q. Why is this significant?**

22 A. A consolidated group is considered a single entity by the IRS with the parent company  
23 acting as the agent for all of the subsidiaries.<sup>95</sup> The fact that the PLRs do not discuss  
24 calculating the NOLC on a stand-alone basis for members of the consolidated group

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<sup>94</sup> Hodgson Direct at 12:28–14:18.

<sup>95</sup> 26 CFR § 1.1502-77.

1 supports the Commission using SWEPCO's actual NOLC ADFIT asset balance of \$0 to  
2 set rates. The net operating losses of SWEPCO did actually defer tax for the AEP  
3 consolidated group by the \$455,122,490 the Company seeks to add to its rate base.<sup>96</sup>  
4 SWEPCO does not actually claim that not making its proposed addition of the  
5 \$455,122,490 would be a violation of the normalization provisions of the IRC, just that it  
6 would be consistent with them. SWEPCO stated in response to discovery that,  
7 "[b]ecause SWEPCO's NOL carryforward is a result of accelerated depreciation,  
8 including the pro forma adjustment is consistent with the normalization requirements of  
9 the Code."<sup>97</sup> It would be equally consistent with the normalization provisions to not  
10 make the addition to rate base requested by SWEPCO because the net operating losses  
11 were actually used to defer tax and there was no NOLC on SWEPCO's books as of the  
12 end of the test year. As shown on Attachment RS-38, AEP, Inc. as a whole did have the  
13 use of cost-free capital in the amount of \$455,120,490 because of SWEPCO's losses.  
14 Therefore, there is no NOLC ADFIT asset that must be included in SWEPCO's rate base.

15 **Q. Is SWEPCO's proposal in this case a departure from how its ADFIT has previously**  
16 **been determined in its prior rate cases?**

17 A. Yes, it is a major change that conflicts with SWEPCO's declaration at Schedule G-7.13c  
18 of its Application that "[t]he Company has not made any changes in its accounting for  
19 Deferred Federal Income Taxes that has an impact on regulatory ratemaking." While it is  
20 true that SWEPCO has made no changes in the manner it accounts for deferred taxes on  
21 its actual books, its proposal in this case is a major change in accounting for ADFIT that  
22 has a substantial impact on regulatory ratemaking.

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<sup>96</sup> Attachment RS-37.

<sup>97</sup> SWEPCO's Response to Staff's 9<sup>th</sup> RFI at Staff 9-20(e) (Attachment RS-39).

1 **Q. Please discuss the departure from prior practice.**

2 A. When I asked SWEPCO in discovery to provide the amount of its NOLC ADFIT asset  
3 actually recorded on its books at the end of the test year in Docket No. 46449, *and* the  
4 amount its hypothetical stand-alone NOLC ADFIT asset at the same date, the Company  
5 responded:

6  
7 SWEPCO's books at the end of the test year in Docket No. 46449  
8 reflected a NOL accumulated deferred income tax asset of zero as a result  
9 of the Company's participation in the AEP Inc. consolidated tax sharing  
10 agreement. No adjustments were made in that proceeding to reflect the  
11 level of NOL deferred tax asset for the Company on a separate return  
12 basis.<sup>98</sup>  
13

14 As the response indicates, SWEPCO did not provide the amount of its assumed stand-  
15 alone NOLC ADFIT asset balance as of the end of the test year in Docket No. 46449 as  
16 requested. SWEPCO did confirm that no adjustments to reflect its NOLC ADFIT asset  
17 on a separate return basis were included in that proceeding. SWEPCO's request in this  
18 proceeding is a departure from the Commission's treatment of ADFIT in Docket No.  
19 46449 and a departure from SWEPCO's request in that proceeding.

20 **Q. Have you calculated the balance of SWEPCO's separate stand-alone NOLC ADFIT**  
21 **asset at the end of the test year in Docket No. 46449?**

22 A. Yes. Based on information provided by SWEPCO in discovery,<sup>99</sup> I calculated the portion  
23 of the separate stand-alone NOLC ADFIT asset that would have existed at the end of the  
24 test year in Docket No. 46449 as \$388,968,550.<sup>100</sup>

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<sup>98</sup> SWEPCO's Response to Staff's 9<sup>th</sup> RFI at Staff 9-21 (Attachment RS-40).

<sup>99</sup> Attachment RS-37.

<sup>100</sup> Attachment RS-38.

1     **Q.     Why is this significant?**

2     A.     As SWEPCO acknowledged, the Docket No. 46449 test-year end actual book value of its  
3           NOLC ADFIT asset was \$0 and no adjustment was made in that case to reflect in rate  
4           base the separate stand-alone NOLC ADFIT asset (\$388,968,550), nor did SWEPCO  
5           request that the stand-alone NOLC ADFIT asset be included in its rate base in that  
6           proceeding. Now the Company seeks to reach back and change how losses incurred prior  
7           to the end of the test-year in that case should be treated for ratemaking purposes. The  
8           Commission should not change the regulatory treatment of ADFIT for losses that existed  
9           as of the end of the test-year in Docket No. 46449. The separate stand-alone ADFIT  
10          related to losses incurred after the test-year in Docket No. 46449 is just \$66,153,940 as  
11          opposed to the \$455,122,490 SWEPCO now seeks to include in rate base.<sup>101</sup>

12    **Q.     Is it your position that the Commission should include \$66,153,940 in SWEPCO's**  
13    **rate base in this proceeding?**

14    A.     No, for the reasons discussed below. My position is that *if* the Commission accepts  
15           SWEPCO's proposal with respect to NOLC ADFIT, it should only consider doing so  
16           with respect to tax losses that occurred after the end of the test-year in Docket No. 46449.  
17           My position is that SWEPCO's *actual* NOLC ADFIT asset book balance of \$0 be  
18           included in its rate base in this proceeding.

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<sup>101</sup> *Id.*

1 **Q. If SWEPCO is concerned that the normalization rules require its proposed separate**  
2 **return NOLC ADFIT asset to be included in rate base in this case, shouldn't it have**  
3 **reported to the IRS that its actual NOL deferred income tax asset balance of zero**  
4 **was used to set rates in Docket No. 46449 and requested that the Commission undo**  
5 **the effects of that ratemaking treatment?**

6 A. Yes. To my knowledge, however, SWEPCO has not informed the IRS of such a concern  
7 nor has it requested to reverse the impacts of the Commission's use of its actual test-year  
8 end \$0 book balance of NOLC ADFIT in that case.

9 **Q. Has SWEPCO requested a PLR with respect to the issue of whether it is required to**  
10 **compute its NOLC ADFIT asset on a separate stand-alone return basis?**

11 A. Neither SWEPCO nor its parent has requested such PLRs.<sup>102</sup>

12 **Q. You mentioned above that SWEPCO participates in a consolidated tax sharing**  
13 **agreement. Would you please explain how the agreement works?**

14 A. The AEP consolidated group tax sharing arrangement, of which SWEPCO is a member,  
15 states in part:

16  
17 A member with net positive tax allocation shall pay the holding  
18 company the net amount allocated, while a tax loss member with a  
19 net negative tax allocation shall receive current payment from the  
20 holding company in the amount of its negative allocation. The  
21 payment made to a member with a tax loss should equal the  
22 amount by which the consolidated tax is reduced by including the  
23 member's net corporate tax loss in the consolidated tax return. The  
24 holding company shall pay to the Internal Revenue Service the  
25 consolidated group's net current federal income tax liability from  
26 the net of the receipts and payments.<sup>103</sup>  
27

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<sup>102</sup> Southwestern Electric Power Company's Response to Office of Public Utility Counsel's Third Request for Information (SWEPCO's Response to OPUC's 3<sup>rd</sup> RFI) at OPUC 3-7 (Dec. 7, 2020) (Attachment RS-41).

<sup>103</sup> SWEPCO's Response to Staff's 9<sup>th</sup> RFI at Staff 9-17, Attachment 1 at 2. (Attachment RS-42)

1       SWEPCO confirms that the tax sharing agreement has not been modified since the test  
2       year in its last base rate case, Docket No. 46449.<sup>104</sup> SWEPCO provided a schedule  
3       showing its taxable income and losses by year and the tax return year in which the AEP  
4       consolidated group utilized the losses of SWEPCO to offset the income of other members  
5       of the group.<sup>105</sup> This schedule also includes the balance of SWEPCO losses remaining  
6       unused at the end of each year. The schedule shows that the unused balance of SWEPCO  
7       tax losses at the end of the test year was \$0.<sup>106</sup> SWEPCO acknowledges that the actual  
8       NOLC ADFIT asset recorded on its books at the end of the test year is \$0.<sup>107</sup> SWEPCO  
9       confirmed that it received payments from its parent, AEP, Inc. for its taxable losses used  
10      to reduce the amount of consolidated taxes paid by the AEP consolidated group under the  
11      tax sharing agreement described above.<sup>108</sup>

12   **Q.   How much was SWEPCO paid by AEP, Inc. for its taxable losses used to reduce the**  
13   **amount of consolidated taxes paid by the consolidated group?**

14   A.   Through discovery in this proceeding, I asked SWEPCO to provide by year the amounts  
15       it received by affiliate for compensation for the use of its tax losses. Rather than provide  
16       the amount of payments received, SWEPCO's response referred to the schedule of its tax  
17       losses used by the consolidated group as discussed above.<sup>109</sup> I also asked SWEPCO to  
18       provide the journal entries it recorded related to each payment received. SWEPCO chose  
19       not to provide the actual journal entries for each payment received and instead provided  
20       an example of the generic journal entry used to record the receipt of cash payments from  
21       AEP, Inc. for the use of its tax losses:

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<sup>104</sup> SWEPCO's Response to Staff's 9<sup>th</sup> RFI at Staff 9-18. (Attachment RS-43)

<sup>105</sup> SWEPCO's Response to Staff's 9<sup>th</sup> RFI at Staff 9-19 (Attachment RS-37).

<sup>106</sup> *Id*

<sup>107</sup> SWEPCO's Response to Staff's 9<sup>th</sup> RFI at Staff 9-15 (Attachment RS-44).

<sup>108</sup> SWEPCO's Response to Staff's 9<sup>th</sup> RFI at Staff 9-20(f) (Attachment RS-39).

<sup>109</sup> SWEPCO's Response to Staff's 9<sup>th</sup> RFI at Staff 9-20(b) (Attachment RS-39).

Debit – Cash

Credit – NOLC Deferred Tax Asset (Account 190)<sup>110</sup>

Although SWEPCO would not expressly admit that it received \$455,122,490 in cash from AEP, Inc. for the consolidated group's use of its net operating losses, I have used the information from its discovery responses to calculate the amount of payments received by SWEPCO in Attachment RS-38. My calculation applies the tax rate in effect each year to SWEPCO's tax losses used by the consolidated group in that year. I would emphasize here that the total that SWEPCO received is the same \$455,122,490 that the Company is requesting to add to its rate base and on which it would have ratepayers pay a return.

**Q. Please discuss SWEPCO's stated reasons for proposing a departure from how ADFIT has previously been determined in its rate cases.**

A. SWEPCO cites as reason for its requested departure from past practice in this proceeding the identification of risks it claims are associated with the use of its actual GAAP book balance of ADFIT for ratemaking purposes.<sup>111</sup> The first risk SWEPCO claims is that when "a member of a consolidated group is in an NOL position determined on a separate return basis and the NOL is the result of accelerated depreciation, it is inconsistent with the separate return methodology used for purposes of computing tax expense to disregard such separate return NOL in the rate base component of the company's revenue requirement."<sup>112</sup> Once again, SWEPCO does not claim that its proposed adjustment is required by the normalization provisions or that there would be a violation of those provisions in the absence of such adjustment. The second risk claimed by SWEPCO is

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<sup>110</sup> SWEPCO's Response to Staff's 9<sup>th</sup> RFI at Staff 9-20(c) (Attachment RS-39).

<sup>111</sup> Attachment RS-40

<sup>112</sup> *Id*



1 “an operational economic risk with the rate regulation associated with including a  
2 consolidated return adjustment into the rates of utility companies.”<sup>113</sup>

3 **Q. With respect to SWEPCO’s concern about its perceived risk of inconsistency with**  
4 **the separate return methodology and with including a consolidated return**  
5 **adjustment into the rates of utility companies, would reflecting SWEPCO’s actual**  
6 **NOLC ADFIT asset book balance of \$0 in rate base result in the inclusion of a**  
7 **consolidated tax return adjustment into its rates?**

8 A. No, it would not. Including the actual test-year-end balance of SWEPCO’s NOLC  
9 ADFIT of \$0 is not a consolidated tax savings adjustment akin to the adjustments to rates  
10 recognized by the Commission prior to the enactment of PURA § 36.060. The federal  
11 income tax expense included in Staff’s proposed revenue requirement appropriately  
12 calculates the tax on a normalized basis consistent with PURA § 36.060 and 16 TAC  
13 § 25.231(b)(1)(D). Additionally, PURA § 36.060 directs how federal income tax expense  
14 is to be determined and does not address how items are to be reflected in rate base.

15 **Q. Why is rejecting SWEPCO’s proposal to add \$455,122,490 to its rate base in the**  
16 **public interest?**

17 A. Rejecting SWEPCO’s request to add \$455,122,490 to its rate base and including the  
18 actual test-year end NOLC ADFIT balance of \$0 in SWEPCO’s rate base is a simple  
19 reflection of economic reality and fairness. Similar to how SWEPCO sells its accounts  
20 receivables to its affiliate in order to receive cash faster than it would if it waited for its  
21 customers to pay their bills (see factoring discussion above), SWEPCO has likewise sold  
22 the tax benefit of its net operating losses to its parent, AEP, Inc., for \$455,122,490 in  
23 cash. The economic reality is that SWEPCO no longer has that tax asset on its books, as  
24 confirmed by the balance of \$0 in its actual books and records. Just as SWEPCO would

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<sup>113</sup> *Id*

1 not be allowed to earn a return on a plant asset that it sold and for which it received cash  
2 compensation, it should not be allowed to earn a return on a NOLC deferred tax asset or  
3 any other asset that it sold for cash compensation and that has been removed from its  
4 books. SWEPCO claims that its request to include the \$455,122,490 in its rate base is  
5 because its accelerated depreciation has “not been able to produce cash benefits to the  
6 company on the basis of a separate tax return method . . . .”<sup>114</sup> SWEPCO’s argument  
7 lacks merit because the Company did realize cash benefits in the amount of \$455,122,490  
8 that it received from its parent. In other words, with respect to that \$455,122,490  
9 amount, SWEPCO *has already received the full economic value and has therefore been*  
10 *made whole*. With respect to Preliminary Order issue No. 10, including an asset sold for  
11 cash compensation and removed from SWEPCO’s books is not a reasonable and  
12 necessary component of SWEPCO’s rate base. It is not a real component of SWEPCO’s  
13 actual books and records.

14 **Q. What is the fairness issue you touched on above?**

15 A. Applying SWEPCO’s requested rate of return to its \$455,122,490 requested addition to  
16 rate base plus the associated income tax equals over \$39 million that SWEPCO is  
17 requesting ratepayers pay it annually on an asset for which it has already received cash  
18 payment from AEP, Inc. Thus, SWEPCO is seeking to extract from its ratepayers \$156  
19 million over the next four years that the rates from this case are expected to be in effect.  
20 SWEPCO is essentially asking its customers to pay an amount of return and associated  
21 income taxes equivalent to what it would pay on a power plant for an asset for which the  
22 Company has been fully compensated and that has been removed from its actual books.  
23 The only way that SWEPCO’s ratepayers should be required to pay SWEPCO a return on  
24 the \$455,122,490 is if the Commission orders SWEPCO to immediately refund to  
25 ratepayers the \$455,122,490 of cash the Company received from AEP, Inc. for its use of

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<sup>114</sup> Hodgson Direct at 27:13-17.

1 the tax losses related to Commission-regulated plant that is fully supported by  
2 SWEPCO's ratepayers.<sup>115</sup> Otherwise, the imposition of the \$39 million per year cost on  
3 ratepayers results in SWEPCO's ratepayers subsidizing the operations of SWEPCO's  
4 parent and affiliates. SWEPCO will also over-recover with respect to its tax loss because  
5 it has already received full compensation for this asset. AEP, Inc. had the use of  
6 \$455,120,490 of cost-free capital in the form of SWEPCO's losses. Because AEP, Inc.  
7 avoided having to pay the IRS \$455,122,490 in cash and instead paid SWEPCO the  
8 \$455,122,490, the AEP, Inc, group as a whole still has the same amount of cash on a  
9 consolidated basis. It merely took the money out of one pocket and put it in another.

10 Adopting SWEPCO's request would yield an outcome of "heads they win" (AEP  
11 was able to pay \$455,122,490 less to the IRS than it otherwise would have paid and  
12 SWEPCO would receive \$455,122,490 in cash) while ratepayers would be in a position  
13 of "tails they lose" in excess of \$156 million over the next four years. This outcome is  
14 not reasonable, logical, or equitable and does not "protect the public interest inherent in  
15 the rates and services" of SWEPCO.<sup>116</sup> My recommendation assures SWEPCO's "rates,  
16 operations and services are just and reasonable" to its consumers and itself.<sup>117</sup> The only  
17 reasonable and logical way to interpret the PLRs cited by SWEPCO is that they do not  
18 require consideration of any separate hypothetical stand-alone tax return calculation.

19 **Q. Do you have any other recommendations related to SWEPCO's request?**

20 A. Yes. The Commission should not consider adoption of SWEPCO's request to deviate  
21 from prior practice without first receiving a PLR from the IRS ruling that such a

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<sup>115</sup> See, e.g., Docket No. 46449, Order on Rehearing, Finding of Fact No. 99 ("SWEPCO failed to give ratepayers the benefit of \$1.23 million of revenue credits related to payments from SPP received by SWEPCO for ancillary services. These ancillary service credits are not transmission-related; they are instead related to the use of Commission-regulated generation plant that provides ancillary services to SPP. Retail ratepayers fully support SWEPCO's generation plant that provides the ancillary services, and are entitled to receive all of the benefits from these services.").

<sup>116</sup> PURA § 11.002(a).

<sup>117</sup> *Id.*

1 departure is actually required based on the specific facts and circumstances of SWEPCO  
2 and the AEP, Inc. consolidated tax group. The Commission should order that if  
3 SWEPCO decides to seek such a PLR, it should do so only in collaboration with Staff  
4 and intervenors in this case. SWEPCO's current rates were set in Docket No. 46449  
5 without consideration of a separate stand-alone NOLC ADFIT asset and using its actual  
6 NOLC ADFIT asset balance of \$0. Neither SWEPCO nor the IRS has claimed that its  
7 current rates violate the normalization provisions of the IRC.

8 **O. Excess ADFIT**

9 **Q. Please explain the concept of excess ADFIT and your recommendation related**  
10 **thereto.**

11 A. As explained above, ADFIT arises from temporary differences between the federal  
12 income tax used to set rates and the actual federal income tax paid because of the use of  
13 items like accelerated depreciation. ADFIT is recorded at the enacted income tax rate at  
14 the time the temporary difference arises. The TCJA, cited previously, reduced the  
15 corporate federal income tax rate from 35 percent to 21 percent effective January 1, 2018.  
16 SWEPCO, like other utilities, had ADFIT recorded on its books at the higher 35 percent  
17 rate that will no longer be payable to the IRS. Revaluation of the ADFIT balances  
18 recorded at 35 percent down to the new 21 percent tax rate results in the excess ADFIT  
19 balances that should be returned to SWEPCO's ratepayers. In Docket No. 46449, the  
20 Commission ordered that "[t]he regulatory treatment of any excess deferred taxes  
21 resulting from the reduction in the federal-income-tax rate will be addressed in  
22 SWEPCO's next base-rate case."<sup>118</sup>

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<sup>118</sup> Docket No. 46449, Order on Rehearing, Ordering Paragraph No. 10.

1 **Q. Are there any rules with respect to how the excess ADFIT recorded on SWEPCO's**  
2 **books can be returned to ratepayers?**

3 A. Yes. Excess ADFIT related to differences in method and life for calculating depreciation  
4 expense between book and tax purposes is considered protected excess ADFIT. This  
5 means that it cannot be amortized more rapidly than over the remaining lives of the assets  
6 that gave rise to the deferred taxes under the IRC normalization provisions. All other  
7 excess deferred ADFIT is considered unprotected, which means there are no such  
8 limitations on the timing or manner of returning it to ratepayers.

9 **Q. What are the balances of SWEPCO's protected and unprotected excess ADFIT?**

10 A. SWEPCO claims that its total protected excess ADFIT balance is \$486,745,961.<sup>119</sup> Of  
11 this amount, SWEPCO identified an amount of \$121,725,475 (or only 25%) that it claims  
12 will be returned to Texas customers. However, the total balance includes an adjustment  
13 of \$10,042,883 related to SWEPCO's proposed NOLC ADFIT asset addition to rate base,  
14 discussed above. Consistent with my proposed rejection of that addition to rate base, I  
15 also propose reversal of this associated adjustment, leaving a protected excess ADFIT  
16 balance at test-year end of \$476,703,078.

17 **Q. Is this the total amount of protected excess ADFIT recorded on SWEPCO's books**  
18 **upon enactment of the TCJA?**

19 A. No. As explained by SWEPCO, amortization of the protected excess ADFIT began on  
20 January 1, 2018.<sup>120</sup> SWEPCO recorded a provision for refund (or regulatory liability) on  
21 its books related to the Texas portion of this amortization.<sup>121</sup> The amount of the  
22 regulatory liability will continue to grow until amortization of the protected excess

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<sup>119</sup> Application at Schedule G-7.9a.

<sup>120</sup> Hodgson Direct at 24:16-17.

<sup>121</sup> Baird Direct at 49:4-5.

1 ADFIT is reflected in SWEPCO's rates in this proceeding.<sup>122</sup> According to SWEPCO,  
2 the grossed-up (for taxes) amount allocated to Texas is \$5,245,870 at test-year-end and  
3 estimated to be a total of \$7,408,645 at the end of March 2021.<sup>123</sup>

4 **Q. Do you agree with SWEPCO's calculated Texas refund amounts of protected excess**  
5 **ADFIT amortization at test-year end and at March 2021?**

6 A. No, I do not. SWEPCO explains that its proposed pro forma adjustment to include the  
7 NOLC ADFIT asset in rate base (described previously) impacts the balance of protected  
8 excess ADFIT and the related amortization.<sup>124</sup> SWEPCO provides a walk-forward of the  
9 total company balance of protected and unprotected excess ADFIT from January 1, 2018  
10 through its projected balance at December 31, 2020 in response to discovery.<sup>125</sup> This  
11 walk-forward shows the actual amortization of protected and unprotected excess ADFIT  
12 per SWEPCO's books for calendar years 2018 and 2019 and the projected amortization  
13 for 2020. Also shown on the walk-forward are pro forma adjustments for each year  
14 based on SWEPCO's request to include the NOLC ADFIT asset in rate base. These  
15 adjustments have the effect of not only significantly reducing the balance of protected  
16 excess ADFIT but also of reducing the amortization of the excess ADFIT and thereby  
17 reducing the refund liability owed to ratepayers. These proposed adjustments are shown  
18 on lines 3, 4, 9, and 13 of SWEPCO's walk-forward at Attachment RS-47 and should be  
19 excluded from the calculation of the refund amount owed ratepayers.

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<sup>122</sup> *Id.* at 49:5-8.

<sup>123</sup> Application at W/P Schedule B-1.5.17.1, "Protected Excess ADFIT Refund Provision (3/31/2020)" of \$5,245,870 plus "April 2020 – March 2021" of \$2,162,705 (Attachment RS-45).

<sup>124</sup> SWEPCO's Response to Staff's 9<sup>th</sup> RFI at Staff 9-16 (Attachment RS-46).

<sup>125</sup> SWEPCO's Response to CARD's 4<sup>th</sup> RFI at CARD 4-32 (Attachment RS-47).

1 **Q. What amount are you proposing be refunded to Texas ratepayers for the amortized**  
2 **protected excess ADFIT through March 18, 2021, the relate-back date for rates in**  
3 **this proceeding?**

4 A. Using SWEPCO's actual booked amortization in 2018 and 2019 and its projection of the  
5 2020 amortization amount to calculate a projected amortization for calendar year 2020  
6 through March 18, 2021, I calculated a Texas jurisdictional refund amount of  
7 \$14,494,385.<sup>126</sup>

8 **Q. How will the remaining unamortized balance of protected ADFIT be returned to**  
9 **ratepayers?**

10 A. As explained previously, the normalization rules prevent returning these amounts to  
11 ratepayers more rapidly than over the remaining lives of the assets that gave rise to the  
12 excess ADFIT. The remaining excess ADFIT will be amortized through the income tax  
13 expense calculation over these lives.

14 **Q. Do you have any adjustments to SWEPCO's proposed amortization of the protected**  
15 **excess ADFIT in its income tax calculation?**

16 A. Yes, I do. SWEPCO reduced the test-year protected excess ADFIT amortization by  
17 \$4,664,032 as part of its request to include the stand-alone NOLC ADFIT asset in rate  
18 base.<sup>127</sup> Just as that request should be rejected, so too should this adjustment. This is yet  
19 another financial hit to ratepayers associated with SWEPCO's stand-alone NOLC ADFIT  
20 request on top of the Company's requested addition of \$455,122,490 to its rate base.

21 **Q. What is the balance of unprotected excess ADFIT at test-year end?**

22 A. SWEPCO identified a balance of \$17,337,163 as the Texas jurisdictional balance of  
23 unprotected excess ADFIT.<sup>128</sup> It is unclear how SWEPCO determined this balance.

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<sup>126</sup> Attachment RS-48.

<sup>127</sup> Application at Schedule G-7.9 (SWEPCO) (Attachment RS-49).

<sup>128</sup> Application at W/P Schedule B-1.5.17.1 (Attachment RS-45).

1 SWEPCO grossed this Texas jurisdictional amount up for taxes to reach its proposed  
2 unprotected excess ADFIT refund amount owed to Texas ratepayers of \$23,000,070.<sup>129</sup>  
3 SWEPCO provides service in several states and notes that its regulators have provided  
4 for various periods and methods to amortize their ratepayers' shares of the unprotected  
5 excess ADFIT balance.<sup>130</sup> However, even if SWEPCO has begun amortizing its  
6 unprotected excess ADFIT balance under orders from regulators in its other jurisdictions,  
7 Texas ratepayers should receive their fair share of the balance at January 1, 2018 only  
8 adjusted for amended returns and return-to-provision (RTP) adjustments and excluding  
9 booked amortization related to other jurisdictions and adjustments related to SWEPCO's  
10 proposed NOLC ADFIT request. Using the same walk-forward of the unprotected excess  
11 ADFIT provided by SWEPCO in discovery, identified above, I calculated a Total  
12 Company balance of unprotected excess ADFIT of \$66,963,068.<sup>131</sup> Allocating this to the  
13 Texas jurisdiction using SWEPCO's allocation factor of 36.94% and grossing-up for  
14 taxes yields the amount of \$31,311,597 of unprotected excess ADFIT that should be  
15 refunded to Texas ratepayers.<sup>132</sup>

16 **Q. You previously discussed that you recommend the Commission reject SWEPCO's**  
17 **proposal to offset its remaining Dolet Hills plant balance with the excess ADFIT**  
18 **owed to ratepayers resulting from the TCJA. What is your recommendation related**  
19 **to these excess ADFIT liabilities?**

20 **A.** I recommend that the Commission return the \$45,805,982 (\$14,494,385 of protected  
21 excess ADFIT and \$31,311,597 of unprotected excess ADFIT) to its Texas ratepayers by  
22 first crediting the refund against any amount owed by ratepayers because of the March  
23 18, 2021 relate-back date for rates in this proceeding. The remainder should be returned

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<sup>129</sup> *Id*

<sup>130</sup> SWEPCO's Response to OPUC's 1<sup>st</sup> RFI at OPUC 1-25 (Attachment RS-50).

<sup>131</sup> Attachment RS-51.

<sup>132</sup> *Id*.



1 to ratepayers over a six-month period with carrying charges at the weighted average cost  
2 of capital determined in this proceeding.

3 **P. Depreciation Expense**

4 **Q. Please explain your adjustments to SWEPCO's requested depreciation expense.**

5 A. As explained previously, the Dolet Hills generating plant will be retired no later than  
6 December 31, 2021 and SWEPCO proposes an accelerated recovery of the remaining  
7 book value by using the excess ADFIT regulatory liabilities owed to ratepayers,  
8 discussed above, to partially offset the net book value and then depreciating the  
9 remainder over a four-year period. SWEPCO's request includes its proposed  
10 depreciation of \$10,120,877 on its calculated residual net book value of Dolet Hills after  
11 the excess ADFIT offset in its requested revenue requirement.<sup>133</sup> Because I am  
12 recommending a different method of recovery for the retiring Dolet Hills plant, I have  
13 reflected an adjustment of (\$10,120,877) to remove this amount from depreciation  
14 expense. I have also included adjustments of (\$1,306) to depreciation expense associated  
15 with my exclusion of capitalized financial based incentive compensation and (464,939)  
16 related to my adjustments for the retired generating units.

17 **Q. Do you have any other depreciation expense adjustments?**

18 A. Yes, I do. SWEPCO included test-year losses from disposition of utility plant of  
19 \$653,208 in its requested depreciation expense.<sup>134</sup> Because rates from this proceeding are  
20 expected to be in effect for a four-year period, I included one-fourth of this amount in  
21 SWEPCO's revenue requirement resulting in an adjustment of (\$489,906).

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<sup>133</sup> Attachment RS-26.

<sup>134</sup> Application at WP A, Line 264.

1           **Q.     Ad Valorem Taxes**

2           **Q.     Please discuss SWEPCO's requested ad valorem tax expense.**

3           A.     SWEPCO states that it has reflected an increase of \$5,049,000 to ad valorem tax expense  
4                 by applying an effective ad valorem tax rate to its requested plant in service balance.<sup>135</sup>  
5                 SWEPCO correctly notes that ad valorem taxes recorded in a given year are based on  
6                 property values at the beginning of that year (i.e., 2019 ad valorem tax expense is based  
7                 on the January 1, 2019 plant values).<sup>136</sup> SWEPCO further explains that its calculated  
8                 effective ad valorem tax rate synchronizes ad valorem tax expense with the associated  
9                 plant investment in rate base.<sup>137</sup>

10          **Q.     Please explain SWEPCO's calculation of its requested ad valorem tax expense.**

11          A.     SWEPCO's calculation of its requested ad valorem tax expense begins with an amount of  
12                 \$6,315,734,214 that it identifies as its January 1, 2019 net electric plant subject to ad  
13                 valorem tax.<sup>138</sup> SWEPCO then indicates that \$63,325,856 of ad valorem taxes were paid  
14                 for the 2019 tax year.<sup>139</sup> SWEPCO divides the \$63,325,856 of 2019 ad valorem taxes  
15                 paid by the \$6,315,734,214 plant balance identified by SWEPCO as the January 1, 2019  
16                 balance subject to ad valorem tax to determine its effective ad valorem tax rate of  
17                 1.00266816%.<sup>140</sup> SWEPCO applies this effective rate to its adjusted plant balance at  
18                 March 31, 2020 of \$6,824,528,669<sup>141</sup> to reach a total ad valorem tax on the March 31,  
19                 2020 adjusted plant balance. The test-year capitalized amount of ad valorem tax is  
20                 removed from the March 31, 2020 calculated total tax to reach SWEPCO's requested ad

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<sup>135</sup> Baird Direct at 29:16-19.

<sup>136</sup> *Id.* at 29:16-22.

<sup>137</sup> *Id.* at 26:19 – 27:2.

<sup>138</sup> Application at WP A-3.13.1 (ad valorem), line 1(Attachment RS-52).

<sup>139</sup> *Id.* at line 2.

<sup>140</sup> *Id.* at line 3.

<sup>141</sup> *Id.* at line 4.

1       valorem tax expense of \$67,464,506.<sup>142</sup> Subtracting the actual test-year book ad valorem  
2       tax expense of \$62,415,506<sup>143</sup> from the requested amount results in SWEPCO's  
3       requested increase of \$5,049,000.<sup>144</sup>

4       **Q.    Has SWEPCO properly synchronized its ad valorem tax expense with its associated**  
5       **plant investment?**

6       A.   No, it has not. First, SWEPCO's calculated effective ad valorem tax rate of  
7       1.00266816% is too high. I asked SWEPCO to provide the composition of the  
8       \$6,315,734,214 amount it identified as the January 31, 2019 net plant balance subject to  
9       ad valorem tax and its response to this discovery request is provided at Attachment RS-  
10      53.<sup>145</sup> SWEPCO was also asked to provide the January 1, 2019 balances of each item  
11      included in its March 31, 2020 requested net plant balance of \$6,824,528,669.  
12      SWEPCO's response to this request is included at Attachment RS-54.<sup>146</sup> As a  
13      comparison of the two responses reveals, SWEPCO had \$25,841,960<sup>147</sup> related to capital  
14      leases on its books at January 1, 2019 that it did not include in the \$6,315,734,214  
15      balance subject to ad valorem taxes for purposes of calculating its effective ad valorem  
16      tax rate. Correcting for this error alone reduces the effective ad valorem rate to 0.9986%:

17           SWEPCO's 1/1/2019 balance subject to ad valorem tax	\$6,315,734,214
18           Capital lease balance at 1/1/2019	\$ <u>25,841,960</u>
19           Total 1/1/29 subj. to ad valorem including capital leases	\$6,341,576,174

20  
21           Effective rate: \$63,325,856 taxes paid 2019 ÷ \$6,341,576,174 = 0.9986%

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<sup>142</sup> *Id.* at line 5.

<sup>143</sup> *Id.* at line 8.

<sup>144</sup> *Id.* at line 9.

<sup>145</sup> SWEPCO Response to Staff's 5<sup>th</sup> RFI at Staff 5-22 (Attachment RS-53).

<sup>146</sup> SWEPCO Response to Staff's 5<sup>th</sup> RFI at Staff 5-23 (Attachment RS-54).

<sup>147</sup> *Id.* at lines 2, 3, and 4 (\$46,439,145 - \$20,765,078 + \$164,893 = \$25,841,960).

1 **Q. Why should the January 1, 2019 balances related to capital leases be included in the**  
2 **calculation of the effective ad valorem tax rate?**

3 A. Taxes paid on capital leases are included in the \$63,325,856 amount of 2019 ad valorem  
4 taxes paid by SWEPCO that is used to determine the effective rate. SWEPCO noted that  
5 the \$63,325,856 for the 2019 tax year is for accounts 4081005 and 4081029.<sup>148</sup>  
6 According to SWEPCO's trial balance included at Schedule A-4 of its Application,  
7 account 4081029 is property taxes on capital leases. This is shown at the bottom of WP  
8 A-3.13.1 (ad valorem) of the Application.<sup>149</sup> Including the taxes on capital leases in the  
9 numerator (2019 taxes paid) while excluding the balance of the capital leases in the  
10 denominator (January 1, 2019 property subject to property taxes) overstates the effective  
11 ad valorem tax rate and fails to properly synchronize the plant balances with the  
12 associated ad valorem tax expense.

13 **Q. Are there other issues that result in improperly synchronizing the effective ad**  
14 **valorem tax rate and the associated property subject to the tax?**

15 A. Yes. When providing the January 31, 2019 balances of property included in the March  
16 31, 2020 requested net plant balance of \$6,824,528,669,<sup>150</sup> SWEPCO provided "N/A" as  
17 the January 1, 2019 balance for its proposed pro forma adjustments to net plant in  
18 service. Two of the pro forma plant adjustments that SWEPCO included in the March  
19 31, 2020 plant balance of \$6,824,528,669 to which it applied the effective ad valorem  
20 rate are the adjustments to plant in service to account for the use of the Texas-only  
21 depreciation rates and the Texas-only AFUDC rate. The adjustments recognize what the  
22 balance of the plant and accumulated depreciation accounts would be if the Texas  
23 depreciation and AFUDC rates were used in all SWEPCO jurisdictions. These

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<sup>148</sup> Application at WP A-3.13.1 (ad valorem-State).

<sup>149</sup> Attachment RS-52.

<sup>150</sup> Attachment RS-54.

1 depreciation and AFUDC differences also existed at January 1, 2019 (only the balances  
2 would be different).

3 Failure to include the January 1, 2019 balance of these items in the calculation of  
4 the effective rate while applying the effective rate to the March 31, 2020 balance that  
5 includes them does not properly synchronize the effective ad valorem tax rate with the  
6 associated property subject to the tax. This results in another mismatch between the  
7 calculated effective rate and the assets to which it is applied. Once again, the  
8 denominator in the calculation of the effective rate is understated by the January 1, 2019  
9 balances of these items which has the effect of overstating the effective ad valorem tax  
10 rate. SWEPCO should have included the January 1, 2019 balances of these items in the  
11 January 1, 2019 net plant balance used to calculate the effective ad valorem tax rate if it  
12 intended to apply that rate to its requested March 31, 2020 balance of the two items. As  
13 with the improper exclusion of its capitalized leases discussed above, SWEPCO is  
14 applying an effective rate to a set of plant items without properly including those items in  
15 the determination of the rate.

16 **Q. Do you have any other issues with SWEPCO's requested ad valorem taxes?**

17 A. Yes, there are two other issues. First, SWEPCO also includes the \$44,719,222 net  
18 balance of its operating leases in the March 31, 2020 requested plant balance to which its  
19 effective ad valorem tax rate is applied. SWEPCO noted in response to discovery related  
20 to its accounting for lease expenses that "[t]hese leases require payments of non-lease  
21 components, including related property taxes, operating and maintenance costs. As of the  
22 adoption date of ASU 2016-02, management elected not to separate non-lease  
23 components from associated lease components . . . ."<sup>151</sup> The following excerpt from

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<sup>151</sup> Southwestern Electric Power Company's Response to East Texas Electric Cooperative, Inc. and Northeast Texas Electric Cooperative, Inc.'s First Request for Information at ETEC-NTEC 1-18 (Mar. 11, 2021) (Attachment RS-55).

1           SWEPCO's test-year-end trial balance at Schedule A-4 confirms that only ad valorem  
2           taxes on capital leases are included in its test-year ad valorem tax expense:

408100517	Real Personal Property Taxes	\$ 125,516
408100518	Real Personal Property Taxes	\$ (102,504)
408100519	Real Personal Property Taxes	\$45,977,170
408100520	Real Personal Property Taxes	\$16,288,380
408102917	Real-Pers Prop Tax-Cap Leases	\$ (11,474)
408102919	Real-Pers Prop Tax-Cap Leases	\$ 101,168
408102920	Real-Pers Prop Tax-Cap Leases	\$ 37,250
	Total Test Year Property Taxes	\$62,415,506

3           Because SWEPCO does not separately account for the property taxes on its operating  
4           leases in its property tax expense account, and SWEPCO confirms that it does not  
5           separate non-lease components like property taxes from the associated lease components,  
6           including non-operating leases in the calculation of property tax expense would have the  
7           effect of double-counting this expense in SWEPCO's cost of service.

8       **Q.    What is the second issue with SWEPCO's requested ad valorem taxes, as mentioned**  
9       **in the previous question?**

10      A.    The last issue associated with ad valorem tax expense relates to my recommended plant  
11           adjustments. Because I am recommending reductions to net plant in service of (\$42,039)  
12           for capitalized financial based incentive compensation, (\$39,073,484)<sup>152</sup> to remove  
13           SWEPCO's adjusted remaining book balance of Dolet Hills (after its proposed excess  
14           ADFIT offset), and (\$13,240,470) associated with the retired generating units, these  
15           items should also be removed from the ad valorem tax expense calculation.

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<sup>152</sup> Attachment RS-34 at 2.

1 **Q. What is your recommended ad valorem tax expense?**

2 A. In summary, it is appropriate to include the January 1, 2019 net capital lease balance of  
3 \$25,841,960 in the calculation of the effective ad valorem tax rate. The resulting  
4 effective ad valorem tax rate is 0.9986%. This effective rate should be applied to  
5 SWEPCO's requested March 31, 2020 net plant balance excluding net operating lease  
6 balances, SWEPCO's plant adjustments related to the use of Texas-only depreciation and  
7 AFUDC rates, capitalized financial based incentive compensation, the balance of Dolet  
8 Hills included in SWEPCO's requested rate base, and the retired generating units.  
9 Subtracting the capitalization of ad valorem tax of \$962,879 yields my recommended ad  
10 valorem tax expense of \$63,423,416. This results in an adjustment of (\$4,041,090) to  
11 SWEPCO's requested ad valorem tax expense as shown on Attachment RS-56,

12 **R. Payroll Taxes**

13 **Q. Do you have any adjustments to SWEPCO's requested payroll taxes?**

14 A. Yes. Because I am recommending adjustments to SWEPCO's requested payroll and  
15 incentive compensation expenses, it is also appropriate to reflect an associated adjustment  
16 to payroll tax expense of (\$258,162). The calculation of my payroll tax adjustment is  
17 found at Attachment RS-57.

18 **S. Revenue Related Taxes**

19 **Q. What are revenue related taxes and have you made any adjustments to SWEPCO's**  
20 **requested level of these taxes?**

21 A. There are several taxes that are assessed on the revenues of a utility. The PUC  
22 assessment, Texas gross receipts tax, municipal gross receipts tax, and the Texas Margins  
23 tax are all examples of taxes assessed on utility revenues. As these taxes are based on  
24 SWEPCO's level of revenues, it follows that any adjustments made to the Company's

1 requested revenue requirement would result in attendant impacts to these revenue related  
2 taxes. SWEPCO developed effective tax factors for each of these taxes based on its test  
3 year level of revenues and the associated tax expense for its use on Schedule A to  
4 determine its revenue deficiency. I have applied these factors to Staff's recommended  
5 revenue requirement reduction, resulting in the following adjustments to revenue related  
6 taxes:<sup>153</sup>

7	Texas Gross Receipts Tax	(\$1,289,504)
8	PUC Assessment	(\$205,230)
9	Municipal Gross Receipts Tax	(\$830,022)
10	Texas Margins Tax	(\$389,937)

11 **T. Federal Income Tax Expense**

12 **Q. What is the basis for your adjustment to Federal Income Tax Expense?**

13 A. My adjustment to federal income tax expense is the result of my adjustments to  
14 SWEPCO's requested balance of invested capital combined with adjustments to the  
15 requested cost of capital (rate of return) as recommended by Mr. Filarowicz. Changes to  
16 invested capital and rate of return impact the allowed return amount and thereby flow  
17 through in the tax calculation. With the exception of the return and synchronized interest  
18 amounts related to the change in invested capital and rate of return, and my adjustment to  
19 the amortization of protected excess ADFIT as described above, my calculation uses Tax  
20 Method One and is consistent with the Company's calculation presented on Schedule G-  
21 7.8 of the Application. It is also consistent with PURA § 36.060 and 16 TAC  
22 § 25.231(b)(1)(D) as discussed previously in my testimony.

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<sup>153</sup> Attachment RS-I at Schedule V.



1           **U.     Working Cash Allowance**

2   **Q.     Please explain your adjustment to the working cash allowance.**

3   A.     My recommended working cash allowance is based on the Company's methodology and  
4           the use of its lead/lag study approved in Docket No. 46449. My recommended  
5           adjustments to operations and maintenance expenses and taxes were incorporated into  
6           SWEPCO's calculation resulting in my recommended working cash allowance of  
7           (\$141,641,119).<sup>154</sup>

8           **V.     Rate-Case Expenses**

9   **Q.     Please explain SWEPCO's request regarding rate-case expenses.**

10 A.     As explained in the direct testimony of SWEPCO witness Lynn Ferry-Nelson, the  
11           Company requests recovery of its reasonable rate-case expenses incurred in this  
12           proceeding as well as those expenses it pays to reimburse intervening municipalities.<sup>155</sup>  
13           The Company also seeks to recover expenses associated with its most recent TCRF filing,  
14           Docket No. 49042,<sup>156</sup> as well as appellate expenses related to its last two base rate  
15           proceedings, Docket No. 40443 and Docket No. 46449.<sup>157</sup>

16 **Q.     How does SWEPCO propose to recover these expenses?**

17 A.     In its Application, SWEPCO proposes to recover its actual rate-case expenses for this  
18           proceeding up to a cut-off date through its rate case surcharge rider and requests its  
19           projected expenses after the cut-off date also be included in the rider subject to a review

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<sup>154</sup> Attachment RS-1 at Schedule III.

<sup>155</sup> Direct Testimony of Lynn Ferry-Nelson at 24:13-15 (Oct. 14, 2020) (Ferry-Nelson Direct).

<sup>156</sup> *Application of Southwestern Electric Power Company to Amend its Transmission Cost Recovery Factor*, Docket No. 49042, Order (July 18, 2019).

<sup>157</sup> Ferry-Nelson Direct at 24:16-19.

1 for reasonableness and adjustment for over-or under-collection in the next proceeding in  
2 which its rate-case expenses are addressed.<sup>158</sup>

3 **Q. How do you propose SWEPCO recover its rate-case expenses for this and the other**  
4 **proceedings?**

5 A. The parties to this case have reached an agreement whereby SWEPCO will file on April  
6 8, 2021 an update of its rate-case expenses actually incurred through that date and Cities  
7 Advancing Reasonable Deregulation (CARD) will make its initial filing of requested  
8 rate-case expenses on the same date. The agreement provides for me to file supplemental  
9 direct testimony related to rate case expenses on May 5, 2021 with SWEPCO and CARD  
10 filing rebuttal to my supplemental testimony on May 12, 2021. Staff further recommends  
11 that the record be held open through the issuance of the PFD in this proceeding for the  
12 limited purpose of allowing SWEPCO and CARD to file updates to their rate-case  
13 expenses. Under this agreement and recommendation, trailing rate case expenses from  
14 this proceeding should be minimized.

15 **Q. Have you reviewed the rate-case expense documentation submitted in SWEPCO's**  
16 **Application and are the Company's requested expenses in compliance with 16 TAC**  
17 **§ 25.245?**

18 A. I have reviewed the supporting documentation provided by the Company in its  
19 Application and find that the requested amounts, including those of CARD, related to the  
20 following dockets are in compliance with the Commission's rule for recovery:

Docket No. 49042	\$218,376
Docket No. 40443	\$ 10,192
Docket No. 46449	\$ 0

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<sup>158</sup> *Id* at 26:7-25.

1 **Q. What about the rate case expenses associated with this proceeding?**

2 A. I have reviewed supporting documentation for the Company's requested expenses  
3 incurred for this proceeding through July 2020 in the amount of \$118,493. SWEPCO  
4 actually incurred \$125,347 of expenses related to this case but has not requested \$6,855  
5 of costs for which the Company chose to redact its legal billings. Based on my initial  
6 review of the requested expenses, they appear on their face to be reasonable and in  
7 compliance with 16 TAC § 25.245. However, SWEPCO does not provide the required  
8 breakdown of the rate-case expenses by issue in the proceeding, and I would note that  
9 one of the requirements of this rule is that rate case expenses as a whole must not be  
10 disproportionate, excessive, or unwarranted in relation to the nature and scope of the rate  
11 case addressed by the evidence.<sup>159</sup> As the expenses incurred by SWEPCO through July  
12 of 2020 represent only a fraction of the expected total rate-case expenses for this  
13 proceeding, I cannot make that an ultimate determination at this time.

14 **Q. Please summarize your recommendation in this proceeding.**

15 A. As previously noted, Staff recommends adjustments equal to (\$115,052,249) to  
16 SWEPCO's requested Total Company revenue requirement. My adjustments to  
17 operating and maintenance expense, depreciation and amortization expense, income and  
18 other taxes, and invested capital are typical to most rate cases and are explained above.  
19 The Commission should adopt these adjustments to SWEPCO's request for the reasons  
20 outlined in my testimony. Additionally, SWEPCO has made three atypical requests in  
21 this proceeding that are especially detrimental to ratepayers. Over the next four years,  
22 these proposals would:

- 23 • have ratepayers pay in excess of \$138 million for a plant that will  
24 not be used and useful to provide service except for a few months  
25 during that time period;

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<sup>159</sup> 16 TAC § 25.245(c)(5).

- 1 • charge ratepayers a return totaling over \$156 million on a tax asset  
2 for which SWEPCO already received cash payments exceeding  
3 \$455 million; and
- 4 • allow SWEPCO to keep over \$45 million of excess ADFIT that  
5 should be refunded to Texas ratepayers because of the reduction in  
6 the corporate income tax rate.

7 SWEPCO's proposals with respect to these items are not reasonable, are not in the public  
8 interest, and do not produce equitable outcomes between SWEPCO and its ratepayers. I  
9 recommend that the Commission reject each of these proposals in their entirety.

10 **Q. Does this conclude your testimony?**

11 **A. Yes.**

SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO 51415  
COMPANY NAME Southwestern Electric Power Company  
TEST YEAR END 31-Mar-20

Schedule I  
Total Company Revenue Requirement  
Page 1 of 1

	Company Test Year Total (a)	Company Adjustments To Test Year (b)	Co Requested Test Year Total Electric (c) = (a) + (b)	Staff Adj To Company Request (d)	Staff Adjusted Total Electric (e) = (c) + (d)
<b>REVENUE REQUIREMENT</b>					
Operations & Maintenance	1,096,640,498	(543,274,144)	553,366,356	(23,683,317)	529,683,039
Loss on Disposition of Utility Property	653,208	0	653,208	(489,906)	163,302
Accretion Expense	3,484,561	0	3,484,561	0	3,484,561
Amortization Expense	17,994,221	6,587,836	24,582,057	1,453,062	26,035,119
Depreciation Expense	236,316,513	10,332,293	246,648,806	(10,525,816)	236,122,990
Taxes Other Than Income Taxes	100,527,332	(235,803)	100,291,529	(7,013,945)	93,277,584
Federal Income Taxes	7,262,011	65,445,545	65,445,545	(20,037,473)	45,408,072
Return on Invested Capital	263,445,627	125,872,449	389,318,076	(66,328,294)	322,989,782
Other State Income Taxes	(1,364,764)	1,364,764	0		
Dolet Hills Recovery				11,573,440	11,573,440
<b>TOTAL</b>	<b>1,724,959,207</b>	<b>(333,907,060)</b>	<b>1,383,790,138</b>	<b>(115,052,249)</b>	<b>1,268,737,889</b>

SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415  
COMPANY NAME Southwestern Electric Power Company  
TEST YEAR END 31-Mar-20

Schedule II  
O&M Expense  
Page 1 of 2

OPERATIONS AND MAINTENANCE EXPENSE		Company Test Year Total	Company Adjustments To Test Year	Co Requested Test Year Total Electric	Staff Adj To Company Request	Staff Adjusted Total Electric
		(a)	(b)	(c)	(d)	(e) = (c) + (d)
Acct No						
Operations & Maintenance						
Prod Operation and Supr	500	21,645,237	(1,299,105)	20,346,132	(1,790,311)	18,555,821
Fuel-Reconcilable	501	399,631,093	(382,531,543)	17,099,550	(3,322,699)	13,776,851
Fuel-Non Reconcilable	501	0	0	0	0	0
Steam Expenses	502	19,098,323	(8,212,796)	10,885,527	(1,329,173)	9,556,354
Electric Expenses	505	10,576,275	(532,822)	10,043,453	(439,351)	9,604,102
Misc Steam Power Expenses	506	16,480,428	2,024,792	18,505,220	(3,822,065)	14,683,155
Rents	507	3,339	0	3,339	(634)	2,705
Allowance Expense	509	333,862	(41,727)	292,135	0	292,135
Maintenance Supv and Eng	510	5,221,988	(367,421)	4,854,567	(398,292)	4,456,275
Maintenance of structures	511	5,930,496	(99,368)	5,831,128	(237,043)	5,594,085
Maintenance of boiler plant	512	36,899,429	(769,067)	36,130,362	(3,987,369)	32,142,993
Maintenance of electric plant	513	8,232,373	(192,019)	8,040,354	(187,823)	7,852,531
Maintenance of misc steam plant	514	7,151,128	(164,156)	6,986,972	(1,097,601)	5,889,371
Operation supervision and engineering	517	0	0	0	0	0
Maintenance Supv and Eng	528				(468)	(468)
Maintenance of structures	529				(26)	(26)
Maintenance of electric plant	531				(1)	(1)
Operation supervision and engineering	535				(376)	(376)
Hydraulic expenses	537				(37)	(37)
Misc Hydr Generation expenses	539				(379)	(379)
Maintenance Supv and Eng	541	0	0	0	0	0
Maintenance of structures	542				1	1
Maintenance of electric plant	544				5	5
Maintenance of misc hydraulic plant	545				(94)	(94)
Operation Supv and Eng	546	4,833	(8,710)	(3,877)	0	(3,877)
Operation Fuel	547	10,520,437	(10,520,437)	0	0	0
Operation Generation Exp	548	257,827	(11,366)	246,461	1,295	247,756
Misc Other Power Gen Exp	549	6,031	0	6,031	(3)	6,028
Operation Rents	550	0	0	0	0	0
Maintenance Supv and Eng	551	(35)	0	(33)	0	(33)
Maintenance of structures	552	961	60	1,021	6	1,027
Maintenance of generating and ele	553	827,970	(17,633)	810,337	1,103	811,440
Maint of Misc Other power gen plant	554	81,759	0	81,759	0	81,759
Purchased Power	555	207,609,120	(200,987,454)	6,621,666	0	6,621,666
System Control & Load Dispatch	556	1,494,472	(103,460)	1,391,012	(105,324)	1,285,688
System Control & Dispatch Other	557	1,822,709	1,255,487	3,078,196	(240,451)	2,837,745
Transmission Ops Supr & Engr	560	10,546,443	(565,371)	9,981,072	(618,624)	9,362,448
Transmission Load Dispatching -reliability	5611	0	0	0	0	0
Monitor and operate transmission-sys	5612	1,073,774	(43,835)	1,029,939	(140,536)	889,403
Trans service and scheduling	5613	0	417	0	417	417
Schedule system control and dispatch ser	5614	11,545,148	0	11,545,148	0	11,545,148
Reliability planning and standards deve	5615	251,831	(9,586)	242,245	(32,819)	209,426
Reliability planning and standards deve ser	5618	914,530	0	914,530	0	914,530
Transmission Station Equipment	562	1,235,007	(22,879)	1,212,128	862	1,212,990
Trans OH Line Expense	563	430,199	(2,044)	428,155	(1,482)	426,673
Underground Line Expenses	564	1,573	19	1,592	0	1,592
Transmission of Electricity by Others	565	73,241,705	79,285,200	152,526,905	0	152,526,905
Misc Transmission Expenses	566	2,924,908	452,807	3,377,715	(119,996)	3,257,719
Rents	567	25,508	(1)	25,507	(7)	25,500
SPP Admin - MAM&SC	5757	2,366,891	0	2,366,891	0	2,366,891
Maint Supv And Eng	568	15,702	(864)	14,838	(839)	13,999
Maint of Structures	569	36,341	(195)	36,146	25	36,171
Maint of computer hardware	5691	9,937	(312)	9,625	(1,517)	8,108
Maint of computer software	5692	642,128	(5,624)	636,504	(14,375)	622,129
Maint of computer equip	5693	56,944	0	56,944	0	56,944
Transmission Maint Station Equip	570	2,651,013	(78,372)	2,572,641	(12,225)	2,560,416
Transmission Maint OH Line Exp	571	14,533,315	(27,704)	14,505,611	176	14,505,787
Maint of Underground Lines	572	11,239	111	11,350	0	11,350
Maint of Misc Transmission	573	85,869	(4,658)	81,211	(104)	81,107
Distribution Ops Supr & Engr	580	2,632,859	(167,391)	2,465,468	(96,116)	2,369,352
Distribution Load Dispatching	581	62,791	(1,291)	61,500	0	61,500
Distribution Station Expenses	582	749,112	(21,825)	727,287	(11,867)	715,420
Distribution OH Line Expenses	583	1,752,384	(223,813)	1,528,571	(12,428)	1,516,143
Underground Line Expenses	584	1,383,497	(46,597)	1,336,900	2,532	1,339,432
Street Lighting & Signal Sys	585	162,030	(3,872)	158,158	132	158,290
Meter Expenses	586	3,819,316	(302,033)	3,517,283	(781)	3,516,502
Customer Installations	587	410,742	(20,716)	390,026	1,572	391,598
Miscellaneous Distribution Exp	588	20,017,606	2,087,692	22,105,298	(1,280)	22,104,018
Rents	589	889,843	0	889,843	(1,140)	888,703
Distribution Maint Supr & Engr	590	166,883	(13,911)	152,972	(49)	152,923
Maint of Structures	591	39,491	(209)	39,282	46	39,328
Distribution Maint Station Equip	592	2,040,674	(46,290)	1,994,384	(2,354)	1,992,030
Distribution Maint OH lines	593	57,550,019	(1,092,825)	56,457,194	21,676	56,478,870
Underground Line Expenses	594	660,415	(15,706)	644,709	1,089	645,798
Dist Maint Line Trnf, Regulators	595	140,636	(8,001)	132,635	413	133,048
Maint Street Light & Signal Sys	596	303,595	(18,992)	284,603	700	285,303
Maintenance of Meters	597	442,928	(28,138)	414,790	2,026	416,816
Maint of Misc Distr Plant	598	371,393	(15,560)	355,833	1,224	357,057
Supervision - Customer Accts	901	781,491	(60,532)	720,959	(4,674)	716,285
Meter Reading Exp	902	2,614,840	(145,207)	2,469,633	(505)	2,469,128
Customer Records & Collection	903	17,797,556	965,076	18,762,632	(1,779,751)	16,982,881
Customer Deposit Interest	903.2	0	0	0	0	0
Uncollectible Accounts	904	724,395	0	724,395	0	724,395
Miscellaneous	905	101,498	(323)	101,175	(2,224)	98,951
Factoring Expense	426.5	9,711,825	(1,296,219)	8,415,606	(103,200)	8,312,406
Factoring Expense on Revenue Deficiency	426.5		1,190,699	1,190,699	(606,988)	583,711
Customer SerFactoring Rate on Revenue C	906	0	0	0	0	0
Supervision	907	7,429,119	(6,739,057)	690,062	(3,871)	686,191
Customer Assistance	908	15,029,496	(12,749,804)	2,279,692	5,034	2,284,726
Information & Instr Advertising	909	0	0	0	31,644	31,644
Misc Cust Service and Information	910	27,409	(1,365)	26,044	(1,651)	24,393
Sales Supervision	911	2,198	0	2,198	0	2,198
Demonstrating & Selling Exp	912	265,976	(6,786)	259,190	(220)	258,970
Advertising Expense	913	0	0	0	0	0
Misc Sales Expense	916	0	0	0	0	0
Sales Expense	917	0	0	0	0	0
		0	0	0	0	0
<b>TOTAL Operations &amp; Maintenance</b>		<b>1,024,512,494</b>	<b>(542,385,049)</b>	<b>482,127,447</b>	<b>(20,459,582)</b>	<b>461,667,865</b>

SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO 51415  
COMPANY NAME Southwestern Electric Power Company  
TEST YEAR END 31-Mar-20

Schedule II  
O&M Expense  
Page 2 of 2

OPERATIONS AND MAINTENANCE EXPENSE

		Company Test Year Total	Company Adjustments To Test Year	Co Requested Test Year Total Electric	Staff Adj To Company Request	Staff Adjusted Total Electric
		(a)	(b)	(c)	(d)	(e) = (c) + (d)
Admin & General Salaries	920	32,325,718	(3,364,803)	28,960,915	(2,021,865)	26,939,250
Office Supplies & Exp	921	2,947,644	(1,212,661)	1,734,983	(2,085)	1,732,898
Admin Expenses Transferred	922	(4,430,969)	(59,256)	(4,490,225)	(15,049)	(4,505,274)
Outside Services	923	9,712,500	7,253	9,719,753	(80)	9,719,673
Property Insurance	924	2,428,223	1,689,700	4,117,923	(442,574)	3,675,349
Injuries & Damages	925	3,657,677	(29,527)	3,628,150	(14)	3,628,136
Employee Pensions & Benefits	926	13,373,091	2,913,757	16,286,848	(533,498)	15,753,350
Regulatory Commission Exp	928	2,624,761	(2,494,746)	130,015	(175,658)	(45,643)
Duplicate Charges	929	0	0	0	0	0
General Advertising Exp	9301	318,019	(1,129)	316,890	(26)	316,864
Miscellaneous	9302	1,724,290	1,732,377	3,456,667	(27,458)	3,429,209
Rents	931	1,008,537	(585)	1,007,952	0	1,007,952
Maint Of General Plant	935	6,436,014	(69,422)	6,366,592	(5,628)	6,360,964
<b>TOTAL Administrative &amp; General</b>		<b>72,125,505</b>	<b>(889,042)</b>	<b>71,236,463</b>	<b>(3,223,735)</b>	<b>68,012,728</b>
<b>TOTAL O &amp; M EXPENSE</b>		<b>1,096,637,999</b>	<b>(543,274,091)</b>	<b>553,363,910</b>	<b>(23,683,317)</b>	<b>529,680,593</b>
	8140	53	-53	0		0
	4118 4119	4	0	4		4
	4010	2442	0	2,442		2442
		1,096,640,498	(543,274,144)	553,366,356	(23,683,317)	529,683,039

SOAH DOCKET NO 473-21-0538  
PUC DOCKET NO. 51415  
COMPANY NAME Southwestern Electric Power Company  
TEST YEAR END 31-Mar-20

**Schedule III**  
**Invested Capital**  
**Page 1 of 1**

		Company Test Year Total	Company Adjustments To Test Year	Co Requested Test Year Total Electric	Staff Adj To Company Request	Staff Adjusted Total Electric
		(a)	(b)	(c)	(d)	(e) = (c) + (d)
<b>INVESTED CAPITAL</b>						
	Acct No					
Plant in Service	101	9,262,354,949	59,960,988	9,322,315,937	(339,874,755)	8,982,441,182
Accumulated Depreciation	108	(3,329,123,077)	133,944,841	(3,195,178,236)	287,562,107	(2,907,616,129)
Net Plant In Service		5,933,231,872	193,905,829	6,127,137,701	(52,312,648)	6,074,825,053
Construction Work in Progress	107	226,392,894	(226,392,894)	0	0	0
Plant Held for Future Use	105	1,044,101	(823,186)	220,915	0	220,915
Dolet Hills Mine FAS 143 ARO Asset	101 6	61,976,617	(61,976,617)	0	0	0
Capitalized leases	1011	105,842,819	(105,842,819)	0	0	0
Accumulated Provision - Leased Assets		(31,065,524)	31,065,524	0	0	0
Completed Construction Not Classified	106	319,647,154	0	319,647,154	0	319,647,154
Plant Acquisition	114	18,043,976	(18,043,976)	0	0	0
Accumulated Provision - Plant Acquisition		(18,043,976)	18,043,976	0	0	0
Other Electric Plant Adjustments	116				0	0
Turk Impairments		(51,821,999)		(51,821,999)		(51,821,999)
Tx Trans Veg Mgmt Cost Writeoff		(1,471,585)		(1,471,585)		(1,471,585)
Tx Dist Veg Mgmt Cost Writeoff		(3,993,357)		(3,993,357)		(3,993,357)
SERP		(637,842)		(637,842)		(637,842)
CWIP Fin Based Incentive		(12,432,748)		(12,432,748)	(37,860)	(12,470,608)
RWIP Fin Based Incentive		(499,903)		(499,903)	(5,485)	(505,388)
Working Cash Allowance		(145,220,159)	0	(145,220,159)	3,579,040	(141,641,119)
Materials and Supplies	154	70,436,747	(913,340)	69,523,407	0	69,523,407
Fuel Inventories	151/152	105,918,091	(19,211,748)	86,706,343	0	86,706,343
Prepayments	165	17,148,962	83,452,444	100,601,406	0	100,601,406
SFAS #109 Regulatory Assets & Liabilities	1823/254	(412,675,887)	35,506,181	(377,169,706)	0	(377,169,706)
Accumulated DFIT - Reg Assets and Liabilities		412,675,897	(35,506,191)	377,169,706	0	377,169,706
Accumulated Deferred Federal Income Taxes		(1,270,549,476)	291,719,543	(978,829,933)	(445,079,607)	(1,423,909,540)
Rate Base - Other		0	0	0		0
IPP Credit	2530067	(7,532,556)	0	(7,532,556)	0	(7,532,556)
Trading Deposits	1340018/134C	2,092,064	0	2,092,064	0	2,092,064
Excess Earnings Deferral	2540052	(2,453,476)	0	(2,453,476)	0	(2,453,476)
T V Pole Attachments	2530050	(831,313)	0	(831,313)	0	(831,313)
Sabine Mine Reclamation	2420059	0	(64,960,236)	(64,960,236)	0	(64,960,236)
Investment in Oxbow		0	16,576,181	16,576,181	(16,576,181)	0
Electric Plant Purchased or Sold		64,005	(64,005)	0		0
SFAS #106 Medicare Subsidy		2,533,221	0	2,533,221		2,533,221
Customer Deposits		(65,072,259)	0	(65,072,259)	0	(65,072,259)
<b>TOTAL INVESTED CAPITAL (RATE BASE)</b>		<b>5,252,746,360</b>	<b>136,534,666</b>	<b>5,389,281,026</b>	<b>(510,432,741)</b>	<b>4,878,848,285</b>
<b>RATE OF RETURN</b>		<b>5.02%</b>		<b>7.22%</b>		<b>6.62%</b>
<b>RETURN ON INVESTED CAPITAL</b>		<b>263,445,627</b>	<b>125,872,449</b>	<b>389,318,076</b>	<b>(66,328,294)</b>	<b>322,989,782</b>



SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415  
COMPANY NAME Southwestern Electric Power Company  
TEST YEAR END 31-Mar-20

Schedule IIIA  
Electric Plant in Service  
Page 1 of 2

		Company Test Year Total	Company Adjustments To Test Year	Co Requested Test Year Total Electric	Staff Adj To Company Request	Staff Adjusted Total Electric
		(a)	(b)	(c)	(d)	(e) = (c) + (d)
<b>Electric Plant in Service</b>						
	Acct No					
Intangible Plant						
Organization	301	12,202	0	12,202	0	12,202
Total Intangib Misc Intangible Plant	303	113,129,697	0	113,129,697	0	113,129,697
Production Plant-Steam		113,141,899	0	113,141,899	0	113,141,899
Land and Land Rights	310	26,969,480	0	26,969,480	(1,510,615)	25,458,865
Structures and Improve	311	637,760,782	0	637,760,782	(57,023,545)	580,737,237
Boiler Plant Equipment	312	2,655,899,049	0	2,655,899,049	(211,135,254)	2,444,763,795
Turbogenerators	314	721,720,666	0	721,720,666	(39,735,805)	681,984,861
Accessory Equipment	315	242,125,639	0	242,125,639	(12,572,796)	229,552,843
Misc Power Plant Equip	316	216,425,606	0	216,425,606	(16,666,082)	199,759,524
ARO Steam Production Plant	317	83,594,996	0	83,594,996	(1,230,657)	82,364,339
Production Pl.AFUDC Adjustment		0	60,191,668	60,191,668	0	60,191,668
Land and Land Rights	340	1,451,852	0	1,451,852	0	1,451,852
Structures and Improve	341	30,491,492	0	30,491,492	0	30,491,492
Fuel Holders, Producers	342	0	0	0	0	0
Pnme Movers	343	0	0	0	0	0
Generators	344	84,008,692	0	84,008,692	0	84,008,692
Accessory Equipment	345	8,990,259	0	8,990,259	0	8,990,259
Misc Power Plant Equip	346	829,902	0	829,902	0	829,902
AFUDC Adjustment		0	1,748,111	1,748,111	0	1,748,111
Total ProductiOther Production		4,710,268,415	61,939,779	4,772,208,194	(339,874,754)	4,432,333,440
Transmission Plant						
Land & Land Rights	350	98,274,229	0	98,274,229	0	98,274,229
Structures and Improv	352	19,617,255	0	19,617,255	0	19,617,255
Station Equipment	353	658,800,754	0	658,800,754	0	658,800,754
Towers & Fixtures	354	40,268,484	0	40,268,484	0	40,268,484
Poles & Fixtures	355	672,105,462	0	672,105,462	0	672,105,462
Overhead Conductors &D	356	390,618,514	0	390,618,514	0	390,618,514
Underground Conduit	357	2,877,687	0	2,877,687	0	2,877,687
Underground Conductor	358	77,032	0	77,032	0	77,032
Roads and Trails	359	131,947	0	131,947	0	131,947
AFUDC Adjustment		0	(672,358)	(672,358)	0	(672,358)
Total TransmOther Transmission		1,882,771,364	(672,358)	1,882,099,006	0	1,882,099,006
Distribution Plant						
Land & Land Rights	360	9,962,607	0	9,962,607	0	9,962,607
Structure and Improve	361	9,077,437	0	9,077,437	0	9,077,437
Station Equipment	362	325,484,043	0	325,484,043	0	325,484,043
Poles, Towers & Fixtures	364	460,632,486	0	460,632,486	0	460,632,486
OH Conductors & Devices	365	459,819,309	0	459,819,309	0	459,819,309
Underground Conduit	366	70,251,605	0	70,251,605	0	70,251,605
UG Con & Devices	367	229,231,820	0	229,231,820	0	229,231,820
Line Transformers	368	406,536,885	0	406,536,885	0	406,536,885
Services	369	97,428,656	0	97,428,656	0	97,428,656
Meters	370	86,219,124	0	86,219,124	0	86,219,124
Installations on Cus Pre	371	43,841,079	0	43,841,079	0	43,841,079
Street Lights	373	42,503,668	0	42,503,668	0	42,503,668
AFUDC Adjustment		0	976,298	976,298	0	976,298
Total DistributOther Distribution		2,240,988,719	976,298	2,241,965,017	0	2,241,965,017
General Plant						
Land & Land Rights	389	22,030,361	0	22,030,361	0	22,030,361
Structure & Improve	390	105,848,061	0	105,848,061	0	105,848,061
Office Furniture & Equip	391	9,328,307	0	9,328,307	0	9,328,307
Transportation Equip	392	4,118,518	0	4,118,518	0	4,118,518
Stores Equipment	393	3,121,778	0	3,121,778	0	3,121,778
Tools, Shop & Garage E	394	28,505,444	0	28,505,444	0	28,505,444
Laboratory Equipment	395	5,501,275	0	5,501,275	0	5,501,275
Power Operated Equip	396	698,227	0	698,227	0	698,227
Total Communication Equ	397	42,871,548	0	42,871,548	0	42,871,548
Misc Equipment	398	2,423,516	0	2,423,516	0	2,423,516
Other Intangible Prop	399	66,108,822	0	66,108,822	0	66,108,822
Asset Retirement Cost	399 1	2,009,077	0	2,009,077	0	2,009,077
AFUDC Adjustment		0	(2,282,731)	(2,282,731)	0	(2,282,731)
Other Tangible Property	399 3	22,619,620		22,619,620		22,619,620
Total General Plant		315,184,554	(2,282,731)	312,901,823	0	312,901,823
<b>TOTAL ELECTRIC PIS</b>		<b>9,262,354,951</b>	<b>59,960,988</b>	<b>9,322,315,939</b>	<b>(339,874,754)</b>	<b>8,982,441,185</b>

Property Under Capital Lease	101.1	74,777,297	(74,777,297)	0	0	0
Total Held for Future Use/Land	350/360	1,044,101	(823,186)	220,915	0	220,915
Dole Hills Mine FAS 143 ARO Asset	101.6	61,976,617	(61,976,617)	0	0	0
Completed not Classified/Misc intangible	303	19,938,203	0	19,938,203	0	19,938,203
Electric Plant Purchased or Sold	102	64,005	(64,005)	0	0	0
<b>Completed Plant not Classified</b>		0	0	0	0	0
<b>PRODUCTION</b>						
<b>STEAM</b>						
Land and Land Right	310	0	0	0	0	0
Structure and Improvements	311	1,602,156	0	1,602,156	0	1,602,156
Boiler Plant Equipment	312	29,986,567	0	29,986,567	0	29,986,567
Turbogenerator	314	3,960,323	0	3,960,323	0	3,960,323
Accessory Electric Equipment	315	531,886	0	531,886	0	531,886
Misc Power Plant Equipment	316	1,144,908	0	1,144,908	0	1,144,908
<b>Total Steam</b>		37,225,840	0	37,225,840	0	37,225,840
<b>Other Production</b>						
Land and Land Right	340	0	0	0	0	0
Structure and Improvements	341	620,723	0	620,723	0	620,723
Fuel Holders, Production, Access	342	0	0	0	0	0
Prime Movers	343	0	0	0	0	0
Generators	344	473,407	0	473,407	0	473,407
Accessory Electric Equipment	345	13,151	0	13,151	0	13,151
Misc Power Plant Equipment	346	110,465	0	110,465	0	110,465
<b>Total Other Production</b>		1,217,746	0	1,217,746	0	1,217,746
<b>TOTAL PRODUCTION</b>		38,443,586	0	38,443,586	0	38,443,586
<b>TRANSMISSION</b>						
Land and Land Right	350	5,986,925	0	5,986,925	0	5,986,925
Structure and Improvements	352	6,281,701	0	6,281,701	0	6,281,701
Station Equipment	353	49,146,179	0	49,146,179	0	49,146,179
Towers and Fixtures	354	30,322	0	30,322	0	30,322
Poles and Fixtures	355	88,304,854	0	88,304,854	0	88,304,854
Overhead Conductors, Devices	356	33,358,162	0	33,358,162	0	33,358,162
Underground Conduit	357	1,000,661	0	1,000,661	0	1,000,661
Underground Conductors, Devices	358	11,185	0	11,185	0	11,185
<b>TOTAL TRANSMISSION</b>		184,119,989	0	184,119,989	0	184,119,989
<b>DISTRIBUTION</b>						
Land and Land Rights	360	0	0	0	0	0
Structure and Improvements	361	472,289	0	472,289	0	472,289
Station Equipment	362	12,072,400	0	12,072,400	0	12,072,400
Poles and Fixtures	364	18,008,817	0	18,008,817	0	18,008,817
Overhead Conductors, Devices	365	22,316,611	0	22,316,611	0	22,316,611
Underground Conduit	366	2,976,551	0	2,976,551	0	2,976,551
Underground Conduit, Devices	367	8,325,016	0	8,325,016	0	8,325,016
Line Transformers	368	3,725,212	0	3,725,212	0	3,725,212
Services	369	398,837	0	398,837	0	398,837
Meters	370	13,134	0	13,134	0	13,134
Installs on Customers Premises	371	313,333	0	313,333	0	313,333
Street Lighting Signal system	373	660,560	0	660,560	0	660,560
<b>TOTAL DISTRIBUTION</b>		69,282,760	0	69,282,760	0	69,282,760
<b>GENERAL</b>						
Land and Land Rights	389	79,920	0	79,920	0	79,920
Structure and Improvements	390	1,057,208	0	1,057,208	0	1,057,208
Office Furniture, Equipment	391	42,731	0	42,731	0	42,731
Transportation Equipment	392	0	0	0	0	0
Stores Equipment	393	50,783	0	50,783	0	50,783
Tools, Shop, Garage Equipment	394	1,298,258	0	1,298,258	0	1,298,258
Laboratory Equipment	395	0	0	0	0	0
Power Operated Equipment	396	0	0	0	0	0
Communication Equipment	397	5,278,819	0	5,278,819	0	5,278,819
Other Tangible Property	399	9,150	0	9,150	0	9,150
Miscellaneous Equipment	398	45,749	0	45,749	0	45,749
<b>Total General</b>		7,862,618	0	7,862,618	0	7,862,618
<b>Total Completed Plant not Classified</b>	106	319,647,156	0	319,647,156	0	319,647,156
		0	0	0	0	0
		0	0	0	0	0
Total Construction Work in Progress	107	226,392,894	(226,392,894)	0	0	0
Plant Acquisition Adjustment	114	18,043,976	(18,043,976)	0	0	0
Other Electric Plant Adjustment	116	0	0	0	(43,345)	(43,345)
<b>Total</b>		244,436,870	(244,436,870)	0	(43,345)	(43,345)
<b>Total Electric Plant in Service</b>		9,964,300,997	(322,116,987) #	9,642,184,010	(339,918,099)	9,302,265,911

SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415  
COMPANY NAME Southwestern Electric Power Company  
TEST YEAR END 31-Mar-20

Schedule IV  
Depreciation, Amortization & Accretion Expense  
Page 1 of 1

		Company Test Year Total	Company Adjustments To Test Year	Co Requested Test Year Total Electric	Staff Adj To Company Request	Staff Adjusted Total Electric
		(a)	(b)	(c)	(d)	(e) = (c) + (d)
Acct No						
<b>AMORTIZATION EXPENSE</b>						
Amortization Exp	404	17,421,930	5,292,169	22,714,099	(1,855,750)	20,858,349
Amortization - Tx Impairment	406	0	(1,209,820)	(1,209,820)	(1,306)	(1,211,126)
Amort Exp (Reg Debit)	4073	860,876	2,288,902	3,149,778	3,310,118	6,459,896
Amort Exp (Reg Credit)	4074	(288,585)	216,585	(72,000)	0	(72,000)
Total Amortization		17,994,221	6,587,836	24,582,057	1,453,062	26,035,119
<b>ACCRETION EXPENSE</b>						
			0		0	
Accretion Expense	4111	3,484,561	0	3,484,561	0	3,484,561
					0	0
<b>DEPRECIATION EXPENSE</b>						
Production	4030 1	118,198,563	9,527,448	127,726,011	(10,525,816)	117,200,195
Transmission	4030 2	49,421,354	(1,471,744)	47,949,610	0	47,949,610
Distribution	4030 3	61,585,051	2,617,350	64,202,401	0	64,202,401
General	4030 4	7,111,545	(340,761)	6,770,784	0	6,770,784
Total Depreciation Expense		236,316,513	10,332,293	246,648,806	(10,525,816)	236,122,990
<b>TOTAL DEPRECIATION, ACCRETION &amp; AMT EXP</b>		<b>257,795,295</b>	<b>16,920,129</b>	<b>274,715,424</b>	<b>(9,072,754)</b>	<b>265,642,670</b>
Loss on Disposition Util Prop	411	653,208	0	653,208	(489,906)	163,302
		<b>\$ 258,448,503</b>	<b>\$ 16,920,129</b>	<b>\$ 275,368,632</b>	<b>\$ (9,562,660)</b>	<b>\$ 265,805,972</b>

SOAH DOCKET NO 473-21-0538  
PUC DOCKET NO 51415  
COMPANY NAME Southwestern Electric Power Company  
TEST YEAR END 31-Mar-20

Schedule V  
Taxes Other Than FIT  
Page 1 of 1

	Company Test Year Total	Company Adjustments To Test Year	Co Requested Test Year Total Electric	Staff Adj To Company Request	Staff Adjusted Total Electric
	(a)	(b)	(c)	(d)	(e) = (c) + (d)
<b>TAXES OTHER THAN FIT</b>					
Non Revenue Related					
Ad Valorem Taxes-Texas	19,752,787	1,626,874	21,379,661	(4,041,090)	17,338,571
Ad Valorem Taxes-Other States	42,662,719	3,422,126	46,084,845	0	46,084,845
	62,415,506	5,049,000	67,464,506	(4,041,090)	63,423,416
Total Property					
Payroll Taxes					
FICA	6,971,664	45,867	7,017,531	(258,162)	6,759,369
FUTA	40,193	0	40,193	0	40,193
SUTA	40,777	0	40,777	0	40,777
	7,052,634	45,867	7,098,501	(258,162)	6,840,339
Total Payroll					
Franchise Taxes					
408 33	0	0	0	0	0
Texas	4,393,405	(4,393,405)	0	0	0
Other States	4,393,405	(4,393,405)	0	0	0
Other *Sales and Use Tax					
Other	39,720	(39,720)	0	0	0
	85,990	(84,295)	1,695	0	1,695
	125,710	(124,015)	1,695	0	1,695
TOTAL NON Total Other	73,987,255	577,447	74,564,702	(4,299,252)	70,265,450
Revenue Related					
State Gross Receipts - Texas	6,215,215	2,611,417	8,826,632	(1,289,504)	7,537,128
State Gross Receipts - Other	8	0	8	0	8
Local Gross Receipts - Texas	9,357,340	(3,655,877)	5,701,463	(830,022)	4,871,441
Local Gross Receipts - Other	8,327,064	0	8,327,064	0	8,327,064
PUC Assessment - Texas	989,177	415,618	1,404,795	(205,230)	1,199,565
PUC Assessment - Other	1,188,520	0	1,188,520	0	1,188,520
State Gross Margins - Texas	462,753	(184,408)	278,345	(389,937)	(111,592)
TOTAL REVENUE RELATED TAXES	26,540,077	(813,250)	25,726,827	(2,714,693)	23,012,134
TOTAL TAXES OTHER THAN INCOME TAXES	100,527,332	(235,803)	100,291,529	(7,013,945)	93,277,584

SOAH DOCKET NO 473-21-0538  
PUC DOCKET NO. 51415  
COMPANY NAME Southwestern Electric Power Company  
TEST YEAR END 31-Mar-20

Schedule VI  
Federal Income Taxes  
Page 1 of 1

FEDERAL INCOME TAXES - METHOD 1

	Co Requested Test Year Total Electric	Staff Adj To Company Request	Staff Adjusted Total Electric (e) = (c) + (d)
Return	389,318,076	(66,328,294)	322,989,782
Less			
Synchroized Interest	113,936,864	(13,158,904)	100,777,960
DITC Amortization	1,458,080	0	1,458,080
Amortization of Protected Excess DFIT	3,719,670	4,664,032	8,383,702
Preferred Dividend Exclusion	0	0	0
Medicare Subsidy	0	0	0
AFUDC	0	0	0
Restricted Stock Plan - Tax Deduction	73,596	0	73,596
Prior Year T/R Adjustment	0	0	0
Accelerated Book Depletion	16,602,098	0	16,602,098
TOTAL	0	0	0
TOTAL	135,790,308	(8,494,872)	127,295,436
Plus			
AFUDC	0	0	0
Business Meals not Deductible	542,023	0	542,023
Additional Depreciation	10,069,545	0	10,069,545
Stock based Compensation	1,538,774	0	1,538,774
AFUDC-BIP Amortization	0	0	0
FAS 106 (Medicare Reimbursement)	0	0	0
Business Meals Not Deductible	0	0	0
TOTAL	12,150,342	0	12,150,342
TAXABLE COMPONENT OF RETURN	265,678,110	(57,833,422)	207,844,688
TAX FACTOR (1/1- 21)( 21)	26 582278%	26 582278%	26 582278%
TOTAL FIT BEFORE ADJUSTMENTS	70,623,295	(15,373,441)	55,249,854
Adjustments			
Amortization of DITC	(1,458,080)	0	(1,458,080)
Amortization of Excess DFIT	(3,719,670)	(4,664,032)	(8,383,702)
Prior Year T/R Adjustment	0	0	0
TOTAL	0	0	0
TOTAL	(5,177,750)	(4,664,032)	(9,841,782)
TOTAL FEDERAL INCOME TAXES	65,445,545	(20,037,473)	45,408,072

## STAFF ADJUSTMENT TO SWEPCO PAYROLL

SOUTHWESTERN ELECTRIC POWER COMPANY CALCULATION OF PAYROLL ANNUALIZATION - Response to Staff 5-27 AS OF 10/31/2020				SWEPCO Proposed Adj. A-3.1 RFP	Staff Adj. to SWEPCO Request
Test year actual regular pay less joint billings FERC	Total	Annualized Payroll	Revised Adjustment		
5000	\$ 5,273,166	\$ 5,463,663	\$ 190,498	\$ 151,922	\$ 38,576
5010	\$ 50,682	\$ 52,513	\$ 1,831	\$ 1,460	\$ 371
5020	\$ 6,857,893	\$ 7,105,641	\$ 247,747	\$ 197,578	\$ 50,169
5050	\$ 7,117,976	\$ 7,375,119	\$ 257,143	\$ 205,071	\$ 52,072
5060	\$ 3,180,083	\$ 3,294,966	\$ 114,883	\$ 91,619	\$ 23,264
5100	\$ 3,928,392	\$ 4,070,308	\$ 141,917	\$ 113,178	\$ 28,738
5110	\$ 831,627	\$ 861,671	\$ 30,043	\$ 23,959	\$ 6,084
5120	\$ 8,195,282	\$ 8,491,344	\$ 296,062	\$ 236,109	\$ 59,953
5130	\$ 1,748,176	\$ 1,811,331	\$ 63,154	\$ 50,366	\$ 12,789
5140	\$ 1,847,164	\$ 1,913,895	\$ 66,730	\$ 53,217	\$ 13,513
5420	\$ 197	\$ 204	\$ 7	\$ 6	\$ 1
5440	\$ 1,125	\$ 1,166	\$ 41	\$ 32	\$ 8
5480	\$ 206,327	\$ 213,781	\$ 7,454	\$ 5,944	\$ 1,509
5520	\$ 986	\$ 1,021	\$ 36	\$ 28	\$ 7
5530	\$ 312,657	\$ 323,952	\$ 11,295	\$ 9,008	\$ 2,287
5600	\$ 1,453,939	\$ 1,506,464	\$ 52,525	\$ 41,888	\$ 10,636
5612	\$ 694	\$ 720	\$ 25	\$ 20	\$ 5
5620	\$ 242,445	\$ 251,203	\$ 8,759	\$ 6,985	\$ 1,774
5630	\$ 20,394	\$ 21,131	\$ 737	\$ 588	\$ 149
5660	\$ 296,121	\$ 306,819	\$ 10,698	\$ 8,531	\$ 2,166
5680	\$ 3,235	\$ 3,352	\$ 117	\$ 93	\$ 24
5690	\$ 4,743	\$ 4,914	\$ 171	\$ 137	\$ 35
5700	\$ 1,013,440	\$ 1,050,052	\$ 36,611	\$ 29,198	\$ 7,414
5710	\$ 365,267	\$ 378,463	\$ 13,196	\$ 10,523	\$ 2,672
5800	\$ 655,175	\$ 678,844	\$ 23,669	\$ 18,876	\$ 4,793
5820	\$ 305,879	\$ 316,929	\$ 11,050	\$ 8,812	\$ 2,238
5830	\$ (1,386,701)	\$ (1,436,797)	\$ (50,096)	\$ (39,951)	\$ (10,144)
5840	\$ 618,150	\$ 640,482	\$ 22,331	\$ 17,809	\$ 4,522
5850	\$ 25,818	\$ 26,751	\$ 933	\$ 744	\$ 189
5860	\$ 2,568,022	\$ 2,660,794	\$ 92,772	\$ 73,986	\$ 18,786
5870	\$ 261,908	\$ 271,370	\$ 9,462	\$ 7,546	\$ 1,916
5880	\$ 9,303,952	\$ 9,640,065	\$ 336,113	\$ 268,050	\$ 68,063
5900	\$ 122,227	\$ 126,643	\$ 4,416	\$ 3,521	\$ 894
5910	\$ 6,927	\$ 7,177	\$ 250	\$ 200	\$ 51
5920	\$ 676,656	\$ 701,101	\$ 24,445	\$ 19,495	\$ 4,950
5930	\$ 5,680,298	\$ 5,885,504	\$ 205,206	\$ 163,651	\$ 41,554
5940	\$ 184,702	\$ 191,375	\$ 6,673	\$ 5,321	\$ 1,351
5950	\$ 72,805	\$ 75,436	\$ 2,630	\$ 2,098	\$ 533
5960	\$ 133,719	\$ 138,550	\$ 4,831	\$ 3,852	\$ 978
5970	\$ 343,709	\$ 356,125	\$ 12,417	\$ 9,902	\$ 2,514
5980	\$ 203,351	\$ 210,697	\$ 7,346	\$ 5,859	\$ 1,488
9010	\$ 462,559	\$ 479,269	\$ 16,710	\$ 13,326	\$ 3,384
9020	\$ 1,741,189	\$ 1,804,091	\$ 62,902	\$ 50,164	\$ 12,738
9030	\$ 2,438,820	\$ 2,526,925	\$ 88,105	\$ 70,263	\$ 17,841
9070	\$ 975,874	\$ 1,011,128	\$ 35,254	\$ 28,115	\$ 7,139
9080	\$ 1,886,333	\$ 1,954,479	\$ 68,145	\$ 54,346	\$ 13,800
9200	\$ 4,325,628	\$ 4,481,895	\$ 156,267	\$ 124,623	\$ 31,644
9220	\$ (2,057,088)	\$ (2,131,402)	\$ (74,314)	\$ (59,265)	\$ (15,049)
9250	\$ 203,306	\$ 210,650	\$ 7,345	\$ 5,857	\$ 1,487
9280	\$ 1,995	\$ 2,067	\$ 72	\$ 57	\$ 15
9302	\$ 110,133	\$ 114,112	\$ 3,979	\$ 3,173	\$ 806
9350	\$ 1,590,352	\$ 1,647,805	\$ 57,453	\$ 45,819	\$ 11,634
	\$ 74,407,712	\$ 77,095,756	\$ 2,688,044	\$ 2,143,713	<b>\$ 544,331</b>

Staff Adjustment to  
SWEPCO Request

**SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION  
STAFF'S FIFTH REQUEST FOR INFORMATION**

**Question No. Staff 5-27:**

Provide the most recent payroll annualized by FERC account separately for SWEPCO and for the amounts allocated to SWEPCO by AEPSC and include a detailed explanation of the calculations.

**Response No. Staff 5-27:**

Please refer to Staff 5-27 Attachment 1 for most recent payroll annualized by FERC account for amounts allocated to SWEPCO by AEPSC. The Company repeated the same process as was done for proforma adjustment calculation. The Company took the most recent payroll in October 2020 and calculated the base labor that was allocated to SWEPCO by AEPSC and then annualized that base labor amount. The Company then compared that to the test year base labor that was allocated to SWEPCO by AEPSC to calculate the proforma adjustment.

Please see Staff 5-27 Attachment 2 for the annualization of SWEPCO base payroll as of October 31, 2020. The Company used the same process in preparing this response as was used in its payroll proforma adjustment. Using the employees on the payroll roles as of October 31, 2020, the amounts were reduced to reflect the SWEPCO percentage of ownership for those locations they share ownership with other companies. This amount was distributed to FERC accounts based on the historic regular pay for the test year and a variance was calculated by comparing those two amounts.

Prepared By: Frances K. Bourland

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

SOAH Docket No. 473-21-0538  
PUC Docket No. 51415  
STAFF's 5th, Q. # STAFF 5-27  
Attachment 2  
Page 1 of 19

SOUTHWESTERN ELECTRIC POWER COMPANY  
CALCULATION OF PAYROLL ANNUALIZATION  
AS OF 10/31/2020

Test year actual regular pay  
less joint billings

FERC	Total	Annualized Payroll	Adjustment
1070	30,831,093 27	31,944,893 50	1,113,800 23
1080	5,789,925 40	5,999,091 52	209,166 12
1510	426,890 48	442,312 27	15,421 79
1520	3,911,766 75	4,053,082 75	141,316 00
1850	169,598 01	175,724 89	6,126 88
1860	230,580 73	238,910 66	8,329 93
1880	(1,060 85)	(1,099 17)	(38 32)
4010	5,581 07	5,782 69	201 62
4264	212,821 72	220,510 09	7,688 37
4265	80,420 87	83,326 14	2,905 27
4560	(46,033.45)	(47,696 44)	(1,663 00)
5000	5,273,165 54	5,463,663 26	190,497 72
5010	50,682 31	52,513 25	1,830 94
5020	6,857,893 21	7,105,640 60	247,747 39
5050	7,117,975 61	7,375,118 71	257,143 10
5060	3,180,083 01	3,294,966 29	114,883 28
5100	3,928,391 88	4,070,308 47	141,916 59
5110	831,627 27	861,670 54	30,043 26
5120	8,195,282 43	8,491,344 18	296,061 75
5130	1,748,176 30	1,811,330 70	63,154 40
5140	1,847,164 41	1,913,894 84	66,730 43
5420	196 70	203 80	7 11
5440	1,125 43	1,166 09	40 66
5480	206,327 41	213,781 17	7,453 76
5520	985 67	1,021 28	35 61
5530	312,657 10	323,952 11	11,295 01
5600	1,453,938 91	1,506,463 72	52,524 82
5612	694 47	719 56	25 09
5620	242,444 96	251,203 50	8,758 54
5630	20,394 23	21,130 99	736 76
5660	296,121 33	306,818 98	10,697 64
5680	3,234 79	3,351 65	116 86
5690	4,743 03	4,914 38	171 35
5700	1,013,440 12	1,050,051 53	36,611 41
5710	365,267 36	378,462 96	13,195 60
5800	655,175 46	678,844 25	23,668 79
5820	305,878 90	316,929 05	11,050 14
5830	(1,386,700 78)	(1,436,796 56)	(50,095 78)
5840	618,150 40	640,481 62	22,331 22
5850	25,818 41	26,751 13	932 71
5860	2,568,021 78	2,660,793 81	92,772 03
5870	261,908 04	271,369 70	9,461 66
5880	9,303,951 96	9,640,065 37	336,113 41
5900	122,227 37	126,642 94	4,415 57
5910	6,926 67	7,176 90	250 23
5920	676,655 72	701,100 50	24,444 78
5930	5,680,297 86	5,885,503 59	205,205 73
5940	184,702 21	191,374 74	6,672 53
5950	72,805 36	75,435 52	2,630 16
5960	133,719 10	138,549 82	4,830 72
5970	343,708 51	356,125 28	12,416 77
5980	203,351 12	210,697 35	7,346 24
9010	462,558 57	479,268 90	16,710 33
9020	1,741,188 93	1,804,090 91	62,901 97
9030	2,438,820 00	2,526,924 50	88,104 51
9070	975,873 86	1,011,128 16	35,254 30
9080	1,886,333 21	1,954,478 65	68,145 44
9200	4,325,627 85	4,481,894 95	156,267 09
9220	(2,057,087 95)	(2,131,402 05)	(74,314 10)
9250	203,305 74	210,650 33	7,344 60
9280	1,994 70	2,066 76	72 06
9302	110,133 05	114,111 70	3,978 65
9350	1,590,352 34	1,647,805 21	57,452 87
Grand Total	116,019,295 87	120,210,594 48	4,191,298 61

Base payroll - joint plant billings  
(5,825,400 11)  
G-1 1 base 121,844,695 98



**SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF  
PUBLIC UTILITY COUNSEL'S SIXTH REQUEST FOR INFORMATION**

**Question No. OPUC 6-1:**

Please refer to SWEPCO's Response to Staff RFI No. 5-27. Please provide an explanation for the 3.61% increase in base payroll for SWEPCO employees as of October 30, 2020, when compared to the test year per books. Please include in your response an explanation of why the annualized payroll on October 30, 2020 reflects a pay increase that is over 25% greater than the base pay increase proposed by the Company in the filing.

**Response No. OPUC 6-1:**

The 3.0% base pay increase for merit eligible employees proposed by the Company in its filing inadvertently left out an additional 0.5% equity adjustment and line of progression promotional increase budget. Similarly, the 2.5% general increase for physical and craft employees proposed by the Company in its filing inadvertently left out an additional 0.5% market equity adjustment and a 0.5% geographic wage equalization adjustment each of which was focused on specific positions. Additional differences are likely attributable to opportunity promotions, physical and craft employees qualifying for higher jobs (e.g. Line Mechanic B to A), physical and craft employees qualifying for higher steps (e.g. Line Mechanic B, step 1 to step 2) pay, and step-up pay (employees taking on a higher paid role temporarily).

Prepared By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

**SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION  
STAFF'S FIFTH REQUEST FOR INFORMATION**

**Question No. Staff 5-27:**

Provide the most recent payroll annualized by FERC account separately for SWEPCO and for the amounts allocated to SWEPCO by AEPSC and include a detailed explanation of the calculations.

**Response No. Staff 5-27:**

Please refer to Staff 5-27 Attachment 1 for most recent payroll annualized by FERC account for amounts allocated to SWEPCO by AEPSC. The Company repeated the same process as was done for proforma adjustment calculation. The Company took the most recent payroll in October 2020 and calculated the base labor that was allocated to SWEPCO by AEPSC and then annualized that base labor amount. The Company then compared that to the test year base labor that was allocated to SWEPCO by AEPSC to calculate the proforma adjustment.

Please see Staff 5-27 Attachment 2 for the annualization of SWEPCO base payroll as of October 31, 2020. The Company used the same process in preparing this response as was used in its payroll proforma adjustment. Using the employees on the payroll roles as of October 31, 2020, the amounts were reduced to reflect the SWEPCO percentage of ownership for those locations they share ownership with other companies. This amount was distributed to FERC accounts based on the historic regular pay for the test year and a variance was calculated by comparing those two amounts.

Prepared By: Frances K. Bourland

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

**SOUTHWESTERN ELECTRIC POWER COMPANY**  
**October 2020 Payroll Annualized in Cost of Service**  
**Billed from AEPSC to SWEPCO by FERC Account**

FERC Account	Test Year	Annualized	Proforma Adjustment
5000 - Oper Supervision & Engineering	6,060,375.10	5,949,260.76	(111,114.34)
5010 - Fuel	419,862.33	412,222.96	(7,639.37)
5020 - Steam Expenses	96,350.64	94,550.80	(1,799.84)
5050 - Electric Expenses	2,492.59	2,446.58	(46.01)
5060 - Misc Steam Power Expenses	397,196.25	389,950.47	(7,245.78)
5100 - Maint Supv & Engineering	214,753.73	210,763.24	(3,990.49)
5110 - Maintenance of Structures	339,063.62	332,601.47	(6,462.15)
5120 - Maintenance of Boiler Plant	734,161.40	720,276.40	(13,885.00)
5130 - Maintenance of Electric Plant	188,963.43	185,411.24	(3,552.19)
5140 - Maintenance of Misc Steam Plt	69,068.41	67,753.36	(1,315.05)
5240 - Misc Nuclear Power Expenses	0.47	0.46	(0.01)
5280 - Maint Supv & Engineering	3,604.55	3,538.00	(66.55)
5290 - Maintenance of Structures	211.67	207.62	(4.05)
5300 - Maint of Reactor Plant Equip	10.84	10.96	0.12
5310 - Maintenance of Electric Plant	8.00	7.84	(0.16)
5350 - Oper Supervision & Engineering	2,728.00	2,678.15	(49.85)
5370 - Hydraulic Expenses	264.36	259.55	(4.81)
5390 - Misc Hydr Power Generation Exp	3,067.85	3,009.48	(58.37)
5450 - Maint of Misc Hydraulic Plant	575.02	565.76	(9.26)
5510 - Maint Supv & Engineering	(8.53)	(8.62)	(0.09)
5530 - Maintenance of Generating Plt	6,650.75	6,527.88	(122.87)
5560 - Sys Control & Load Dispatching	827,358.88	811,947.07	(15,411.81)
5570 - Other Expenses	1,854,343.84	1,819,890.09	(34,453.75)
5600 - Oper Supervision & Engineering	3,575,130.52	3,510,075.06	(65,055.46)
5612 - Load Dispatch-Mntr&Op TransSys	557,248.07	546,966.41	(10,281.66)
5615 - Reliability, Png&Stds Develop	131,426.82	128,986.32	(2,440.50)
5620 - Station Expenses	3,969.95	3,901.33	(68.62)
5630 - Overhead Line Expenses	10,627.08	10,433.32	(193.76)
5660 - Misc Transmission Expenses	793,724.23	779,153.36	(14,570.87)
5670 - Rents	74.16	72.83	(1.33)
5680 - Maint Supv & Engineering	5,397.51	5,298.84	(98.67)
5690 - Maintenance of Structures	25.45	24.99	(0.46)
5691 - Maint of Computer Hardware	5,177.00	5,080.69	(96.31)
5692 - Maint of Computer Software	82,685.28	81,183.90	(1,501.38)
5700 - Maint of Station Equipment	116,016.70	113,909.41	(2,107.29)
5710 - Maintenance of Overhead Lines	12,529.73	12,306.37	(223.36)
5730 - Maint of Misc Trnsmssion Plt	694.80	682.15	(12.65)
5800 - Oper Supervision & Engineering	666,519.38	655,111.27	(11,408.11)
5820 - Station Expenses	40,189.52	39,446.57	(742.95)
5830 - Overhead Line Expenses	230.46	226.63	(3.83)
5840 - Underground Line Expenses	7,870.79	7,738.83	(131.96)
5860 - Meter Expenses	109,722.20	107,844.12	(1,878.08)
5880 - Miscellaneous Distribution Exp	628,152.20	617,285.96	(10,866.24)
5900 - Maint Supv & Engineering	4,924.23	4,841.55	(82.68)
5920 - Maint of Station Equipment	49,481.30	48,581.07	(900.23)
5930 - Maintenance of Overhead Lines	27,399.55	26,932.76	(466.79)

SOAH Docket No. 473-21-0538

PUC Docket No. 51415

Staff's 5th, Q. 27 Staff 5-27

Attachment 1

Page 2 of 2

5970 - Maintenance of Meters	201.36	197.87	(3.49)
9010 - Supervision - Customer Accts	47,205.35	46,401.75	(803.60)
9020 - Meter Reading Expenses	82,431.18	80,986.10	(1,445.08)
9030 - Cust Records & Collection Exp	5,635,793.08	5,542,904.90	(92,888.18)
9050 - Misc Customer Accounts Exp	16,735.85	16,433.82	(302.03)
9070 - Supervision - Customer Service	72,732.56	71,451.97	(1,280.59)
9080 - Customer Assistance Expenses	43,067.93	42,257.63	(810.30)
9100 - Misc Cust Svc&Informational Ex	10,697.72	10,583.25	(114.47)
9120 - Demonstrating & Selling Exp	1,650.01	1,618.72	(31.29)
9200 - Administrative & Gen Salaries	13,644,440.10	13,419,094.98	(225,345.12)
9210 - Office Supplies and Expenses	5,233.69	5,288.84	55.15
9220 - Administrative Exp Trnsf - Cr	(0.00)	-	0.00
9230 - Outside Services Employed	636.32	626.04	(10.28)
9250 - Injuries and Damages	8,333.32	8,179.64	(153.68)
9260 - Employee Pensions & Benefits	14,125.21	13,877.24	(247.97)
9280 - Regulatory Commission Exp	961,172.93	943,113.55	(18,059.38)
9301 - General Advertising Expenses	207.44	203.72	(3.72)
9302 - Misc General Expenses	111,977.54	110,047.08	(1,930.46)
9350 - Maintenance of General Plant	114,368.52	112,472.02	(1,896.50)
	<u>38,821,330.24</u>	<u>38,145,694.38</u>	<u>(675,635.86)</u>

## STAFF ADJUSTMENT TO AEPSC PAYROLL

SOUTHWESTERN ELECTRIC POWER COMPANY				SWEPSCO RFP Adjustment BJF-18	Staff Adj to SWEPSCO Request
October 2020 Payroll Annualized in Cost of Service Response to Staff 5-27 Billed from AEPSC to SWEPSCO by FERC Account					
FERC Account	Test Year	Annualized	Proforma Adjustment		
5000 - Oper Supervision & Engineering	\$ 6,060,375	\$ 5,949,261	\$ (111,114)	\$ 609,540	\$ (720,654)
5010 - Fuel	\$ 419,862	\$ 412,223	\$ (7,639)	\$ 42,067	\$ (49,707)
5020 - Steam Expenses	\$ 96,351	\$ 94,551	\$ (1,800)	\$ 9,783	\$ (11,582)
5050 - Electric Expenses	\$ 2,493	\$ 2,447	\$ (46)	\$ 252	\$ (298)
5060 - Misc Steam Power Expenses	\$ 397,196	\$ 389,950	\$ (7,246)	\$ 39,848	\$ (47,094)
5100 - Maint Supv & Engineering	\$ 214,754	\$ 210,763	\$ (3,990)	\$ 21,746	\$ (25,736)
5110 - Maintenance of Structures	\$ 339,064	\$ 332,601	\$ (6,462)	\$ 34,780	\$ (41,242)
5120 - Maintenance of Boiler Plant	\$ 734,161	\$ 720,276	\$ (13,885)	\$ 75,011	\$ (88,896)
5130 - Maintenance of Electric Plant	\$ 188,963	\$ 185,411	\$ (3,552)	\$ 19,247	\$ (22,799)
5140 - Maintenance of Misc Steam Plt	\$ 69,068	\$ 67,753	\$ (1,315)	\$ 7,081	\$ (8,396)
5240 - Misc Nuclear Power Expenses	\$ 0	\$ 0	\$ (0)	\$ 0	\$ (0)
5280 - Maint Supv & Engineering	\$ 3,605	\$ 3,538	\$ (67)	\$ 364	\$ (430)
5290 - Maintenance of Structures	\$ 212	\$ 208	\$ (4)	\$ 22	\$ (26)
5300 - Maint of Reactor Plant Equip	\$ 11	\$ 11	\$ 0	\$ 0	\$ (0)
5310 - Maintenance of Electric Plant	\$ 8	\$ 8	\$ (0)	\$ 1	\$ (1)
5350 - Oper Supervision & Engineering	\$ 2,728	\$ 2,678	\$ (50)	\$ 274	\$ (324)
5370 - Hydraulic Expenses	\$ 264	\$ 260	\$ (5)	\$ 26	\$ (31)
5390 - Misc Hydr Power Generation Exp	\$ 3,068	\$ 3,009	\$ (58)	\$ 314	\$ (373)
5450 - Maint of Misc Hydraulic Plant	\$ 575	\$ 566	\$ (9)	\$ 54	\$ (64)
5510 - Maint Supv & Engineering	\$ (9)	\$ (9)	\$ (0)	\$ (0)	\$ 0
5530 - Maintenance of Generating Plt	\$ 6,651	\$ 6,528	\$ (123)	\$ 672	\$ (794)
5560 - Sys Control & Load Dispatching	\$ 827,359	\$ 811,947	\$ (15,412)	\$ 83,883	\$ (99,295)
5570 - Other Expenses	\$ 1,854,344	\$ 1,819,890	\$ (34,454)	\$ 187,762	\$ (222,215)
5600 - Oper Supervision & Engineering	\$ 3,575,131	\$ 3,510,075	\$ (65,055)	\$ 358,219	\$ (423,274)
5612 - Load Dispatch-Mntr&Op TransSys	\$ 557,248	\$ 546,966	\$ (10,282)	\$ 56,225	\$ (66,507)
5615 - Reliability,Plng&Stds Develop	\$ 131,427	\$ 128,986	\$ (2,441)	\$ 13,304	\$ (15,744)
5620 - Station Expenses	\$ 3,970	\$ 3,901	\$ (69)	\$ 388	\$ (456)
5630 - Overhead Line Expenses	\$ 10,627	\$ 10,433	\$ (194)	\$ 1,066	\$ (1,260)
5660 - Misc Transmission Expenses	\$ 793,724	\$ 779,153	\$ (14,571)	\$ 79,882	\$ (94,452)
5670 - Rents	\$ 74	\$ 73	\$ (1)	\$ 7	\$ (9)
5680 - Maint Supv & Engineering	\$ 5,398	\$ 5,299	\$ (99)	\$ 542	\$ (641)
5690 - Maintenance of Structures	\$ 25	\$ 25	\$ (0)	\$ 3	\$ (3)
5691 - Maint of Computer Hardware	\$ 5,177	\$ 5,081	\$ (96)	\$ 525	\$ (621)
5692 - Maint of Computer Software	\$ 82,685	\$ 81,184	\$ (1,501)	\$ 8,276	\$ (9,777)
5700 - Maint of Station Equipment	\$ 116,017	\$ 113,909	\$ (2,107)	\$ 11,614	\$ (13,721)
5710 - Maintenance of Overhead Lines	\$ 12,530	\$ 12,306	\$ (223)	\$ 1,243	\$ (1,466)
5730 - Maint of Misc Trnsmssion Plt	\$ 695	\$ 682	\$ (13)	\$ 70	\$ (82)
5800 - Oper Supervision & Engineering	\$ 666,519	\$ 655,111	\$ (11,408)	\$ 64,796	\$ (76,204)
5820 - Station Expenses	\$ 40,190	\$ 39,447	\$ (743)	\$ 4,059	\$ (4,802)
5830 - Overhead Line Expenses	\$ 230	\$ 227	\$ (4)	\$ 22	\$ (26)
5840 - Underground Line Expenses	\$ 7,871	\$ 7,739	\$ (132)	\$ 758	\$ (890)
5860 - Meter Expenses	\$ 109,722	\$ 107,844	\$ (1,878)	\$ 10,667	\$ (12,545)
5880 - Miscellaneous Distribution Exp	\$ 628,152	\$ 617,286	\$ (10,866)	\$ 61,383	\$ (72,249)
5900 - Maint Supv & Engineering	\$ 4,924	\$ 4,842	\$ (83)	\$ 474	\$ (557)
5920 - Maint of Station Equipment	\$ 49,481	\$ 48,581	\$ (900)	\$ 4,957	\$ (5,858)
5930 - Maintenance of Overhead Lines	\$ 27,400	\$ 26,933	\$ (467)	\$ 2,658	\$ (3,124)
5970 - Maintenance of Meters	\$ 201	\$ 198	\$ (3)	\$ 20	\$ (23)
9010 - Supervision - Customer Accts	\$ 47,205	\$ 46,402	\$ (804)	\$ 4,577	\$ (5,381)
9020 - Meter Reading Expenses	\$ 82,431	\$ 80,986	\$ (1,445)	\$ 8,108	\$ (9,553)
9030 - Cust Records & Collection Exp	\$ 5,635,793	\$ 5,542,905	\$ (92,888)	\$ 538,030	\$ (630,918)
9050 - Misc Customer Accounts Exp	\$ 16,736	\$ 16,434	\$ (302)	\$ 1,670	\$ (1,972)
9070 - Supervision - Customer Service	\$ 72,733	\$ 71,452	\$ (1,281)	\$ 7,169	\$ (8,450)
9080 - Customer Assistance Expenses	\$ 43,068	\$ 42,258	\$ (810)	\$ 4,389	\$ (5,199)
9100 - Misc Cust Svc&Informational Ex	\$ 10,698	\$ 10,583	\$ (114)	\$ 851	\$ (965)
9120 - Demonstrating & Selling Exp	\$ 1,650	\$ 1,619	\$ (31)	\$ 169	\$ (200)
9200 - Administrative & Gen Salaries	\$ 13,644,440	\$ 13,419,095	\$ (225,345)	\$ 1,303,857	\$ (1,529,202)
9210 - Office Supplies and Expenses	\$ 5,234	\$ 5,289	\$ 55	\$ 110	\$ (54)
9220 - Administrative Exp Trnsf - Cr	\$ (0)	\$ -	\$ 0	\$ -	\$ 0
9230 - Outside Services Employed	\$ 636	\$ 626	\$ (10)	\$ 60	\$ (70)
9250 - Injuries and Damages	\$ 8,333	\$ 8,180	\$ (154)	\$ 841	\$ (994)
9260 - Employee Pensions & Benefits	\$ 14,125	\$ 13,877	\$ (248)	\$ 1,390	\$ (1,638)
9280 - Regulatory Commission Exp	\$ 961,173	\$ 943,114	\$ (18,059)	\$ 97,877	\$ (115,937)
9301 - General Advertising Expenses	\$ 207	\$ 204	\$ (4)	\$ 21	\$ (24)
9302 - Misc General Expenses	\$ 111,978	\$ 110,047	\$ (1,930)	\$ 10,924	\$ (12,855)
9350 - Maintenance of General Plant	\$ 114,369	\$ 112,472	\$ (1,897)	\$ 10,950	\$ (12,847)
	\$ 38,821,330	\$ 38,145,694	\$ (675,636)	\$ 3,804,876	\$ (4,480,512)
					Staff adjustment to SWEPSCO request

**SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION  
STAFF'S FIFTH REQUEST FOR INFORMATION**

**Question No. Staff 5-24:**

Has the Company experienced any reductions in force since the end of the test year? Does the Company anticipate any reductions in force between now and the end of the rate year? If the answer to either question is yes, please describe and quantify.

**Response No. Staff 5-24:**

Beginning June 8, 2020 through July 6, 2020, the company did offer a retirement incentive package to certain employees across the service company and SWEPCO. Only one SWEPCO employee accepted the retirement incentive package and a total of 189 employees reporting to AEPSC accepted the package.

Prepared By: Christopher N. Martel

Title: Regulatory Consultant Sr

Sponsored By: Lynn M. Ferry-Nelson

Title: Dir Regulatory Svcs

**SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF  
PUBLIC UTILITY COUNSEL'S FIRST REQUEST FOR INFORMATION**

**Question No. OPUC 1-15:**

Please refer to the Direct Testimony of Mr. Michael A. Baird, page 22. Please provide the underlying computation and supporting documentation for each of the numbers included in the Annual Incentive Plan Chart and the Long-Term Incentive Plan chart on page 22 of Mr. Baird's Direct Testimony.

**Response No. OPUC 1-15:**

Please refer to OPUC 1-15 Attachments 1 & 2 for underlying computation and supporting documentation for AEPSC amounts and OPUC 1-15 Attachment 3 for the underlying calculation and supporting documentation for SWEPCO amounts included on page 22 of Mr. Baird's Direct Testimony. An error in the business unit financial based goal percentage for the Distribution annual incentive plan has been discovered which resulted in a change in the amounts reported in the Annual Incentive Plan Chart on page 22 of Mr. Baird's Direct Testimony. Please see OPUC 1-15 Attachment 4 for the updated chart and OPUC 1-15 Attachments 5 and 6 for the underlying computation and supporting documentation for the SWEPCO and AEPSC amount respectively.

All attachments responsive to this request are provided electronically on the PUC Interchange.

Prepared By: Frances K. Bourland

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

SOAH Docket No. 473-21-0538  
PUC Docket No. 51415  
OPUC's 1st, Q. # OPUC 1-15  
Attachment 4

SOUTHWESTERN ELECTRIC POWER COMPANY  
SUMMARY OF SWEPSCO AND AEPSC ANNUAL INCENTIVES REVISED  
FOR THE TEST YEAR ENDED MARCH 31, 2020

Annual Incentive Plan		
Description	SWEPSCO	AEPSC
Per Book Expense	9,800,004	8,942,256
Reduction to Target Level	(1,878,186)	(3,367,674)
Target Level Incentives	7,921,818	5,574,582
Remove Direct Financial	(507,064)	(671,073)
Target Less Financial	7,414,754	4,903,509
Remove 50% of Fundings of 70% or 35%	(1,531,679)	(1,751,910)
Requested Amount	5,883,075	3,151,599



## STAFF ADJUSTMENT TO SWEPCO INCENTIVE

SOUTHWESTERN ELECTRIC POWER COMPANY

Annual Incentive Normalization

For the Test Year Ended March 31, 2020

SWEPCO Proposed

Adjustment @ RFP

Sch a-3 2

Corrected Amt

Per Response

to OPUC 1-15

Staff

Adj to

Co Request

					Total should be \$ (3,916,929)	
Acct Reference	Exp Amt As Adjusted	TY Amt Per Books	Total Adjustment			
5000	\$ 231,337	\$ 603,804	\$ (372,466)	9 6339%	\$ (377,352)	\$ (4,885)
5010	\$ 3,733	\$ 9,636	\$ (5,903)	0 1527%	\$ (5,980)	\$ (77)
5020	\$ 437,142	\$ 1,137,336	\$ (700,194)	18 1106%	\$ (709,378)	\$ (9,184)
5050	\$ 375,625	\$ 974,759	\$ (599,134)	15 4966%	\$ (606,992)	\$ (7,858)
5060	\$ 901,968	\$ (333,497)	\$ 1,235,465	-31 9554%	\$ 1,251,670	\$ 16,204
5100	\$ 189,455	\$ 490,228	\$ (300,773)	7 7795%	\$ (304,718)	\$ (3,945)
5110	\$ 42,159	\$ 109,586	\$ (67,427)	1 7440%	\$ (68,312)	\$ (884)
5120	\$ 438,168	\$ 1,135,833	\$ (697,665)	18 0451%	\$ (706,815)	\$ (9,151)
5130	\$ 113,023	\$ 292,363	\$ (179,340)	4 6386%	\$ (181,692)	\$ (2,352)
5140	\$ 83,192	\$ 216,504	\$ (133,311)	3 4481%	\$ (135,060)	\$ (1,749)
5420	\$ 5	\$ 15	\$ (9)	0 0002%	\$ (10)	\$ (0)
5440	\$ 160	\$ 411	\$ (250)	0 0065%	\$ (254)	\$ (3)
5480	\$ 10,411	\$ 26,967	\$ (16,555)	0 4282%	\$ (16,772)	\$ (217)
5520	\$ 24	\$ 63	\$ (38)	0 0010%	\$ (39)	\$ (1)
5530	\$ 15,338	\$ 39,940	\$ (24,602)	0 6363%	\$ (24,925)	\$ (323)
5600	\$ 95,987	\$ 226,295	\$ (130,309)	3 3704%	\$ (132,018)	\$ (1,709)
5612	\$ 45	\$ 112	\$ (67)	0 0017%	\$ (68)	\$ (1)
5620	\$ 21,446	\$ 49,876	\$ (28,430)	0 7353%	\$ (28,803)	\$ (373)
5630	\$ 613	\$ 1,645	\$ (1,033)	0 0267%	\$ (1,046)	\$ (14)
5660	\$ 148,706	\$ (124,373)	\$ 273,078	-7 0632%	\$ 276,660	\$ 3,582
5680	\$ 124	\$ 312	\$ (187)	0 0048%	\$ (190)	\$ (2)
5690	\$ 289	\$ 630	\$ (341)	0 0088%	\$ (346)	\$ (4)
5700	\$ 65,684	\$ 152,189	\$ (86,504)	2 2374%	\$ (87,639)	\$ (1,135)
5710	\$ 24,816	\$ 58,328	\$ (33,512)	0 8668%	\$ (33,952)	\$ (440)
5800	\$ 20,217	\$ 101,119	\$ (80,902)	2 0925%	\$ (81,963)	\$ (1,061)
5820	\$ 19,180	\$ 44,209	\$ (25,028)	0 6474%	\$ (25,357)	\$ (328)
5830	\$ 34,696	\$ 206,416	\$ (171,720)	4 4416%	\$ (173,973)	\$ (2,252)
5840	\$ 11,267	\$ 71,582	\$ (60,315)	1 5601%	\$ (61,106)	\$ (791)
5850	\$ 215	\$ 4,523	\$ (4,309)	0 1114%	\$ (4,365)	\$ (57)
5860	\$ 62,040	\$ 401,214	\$ (339,174)	8 7728%	\$ (343,623)	\$ (4,449)
5870	\$ 5,707	\$ 31,941	\$ (26,234)	0 6785%	\$ (26,578)	\$ (344)
5880	\$ 1,852,502	\$ 289,216	\$ 1,563,286	-40 4345%	\$ 1,583,790	\$ 20,504
5900	\$ 3,485	\$ 18,494	\$ (15,009)	0 3882%	\$ (15,206)	\$ (197)
5910	\$ 316	\$ 689	\$ (373)	0 0096%	\$ (378)	\$ (5)
5920	\$ 37,288	\$ 85,348	\$ (48,059)	1 2431%	\$ (48,690)	\$ (630)
5930	\$ 287,760	\$ 1,452,909	\$ (1,165,149)	30 1366%	\$ (1,180,431)	\$ (15,282)
5940	\$ 3,094	\$ 23,055	\$ (19,961)	0 5163%	\$ (20,223)	\$ (262)
5950	\$ 520	\$ 9,649	\$ (9,129)	0 2361%	\$ (9,249)	\$ (120)
5960	\$ 1,790	\$ 22,968	\$ (21,178)	0 5478%	\$ (21,456)	\$ (278)
5970	\$ 6,977	\$ 42,166	\$ (35,189)	0 9102%	\$ (35,650)	\$ (462)
5980	\$ 3,243	\$ 23,353	\$ (20,110)	0 5201%	\$ (20,374)	\$ (264)
9010	\$ 9,657	\$ 72,943	\$ (63,286)	1 6369%	\$ (64,116)	\$ (830)
9020	\$ 34,074	\$ 213,176	\$ (179,102)	4 6325%	\$ (181,451)	\$ (2,349)
9030	\$ 66,402	\$ 336,882	\$ (270,480)	6 9960%	\$ (274,027)	\$ (3,548)
9070	\$ 20,655	\$ 131,689	\$ (111,035)	2 8719%	\$ (112,491)	\$ (1,456)
9080	\$ 36,701	\$ 270,726	\$ (234,025)	6 0531%	\$ (237,095)	\$ (3,069)
9200	\$ 109,584	\$ 627,278	\$ (517,694)	13 3902%	\$ (524,484)	\$ (6,790)
9220	\$ 2	\$ (7)	\$ 9	-0 0002%	\$ 9	\$ 0
9250	\$ 14,000	\$ 40,822	\$ (26,823)	0 6938%	\$ (27,175)	\$ (352)
9280	\$ (91)	\$ 152	\$ (243)	0 0063%	\$ (246)	\$ (3)
9302	\$ 10,317	\$ 23,734	\$ (13,417)	0 3470%	\$ (13,593)	\$ (176)
9350	\$ 82,736	\$ 184,797	\$ (102,061)	2 6398%	\$ (103,400)	\$ (1,339)
	\$ 5,933,784	\$ 9,800,004	\$ (3,866,220)	100%	\$ (3,916,929)	\$ (50,709)

Staff Adjustment to  
SWEPCO Request

## STAFF ADJUSTMENT TO AEPSC INCENTIVE COMPENSATION

From Exhibit BJF-18	BJF 18-2		CARD 10-1 BJF 18-1,4,5	BJF-18		Correct Amt Resp. to OPUC-15	Staff adj. to SWEPCO Request
FERC Account Number	Total Company Per Books	Pro Forma Adjustment	Other Adjs	Total Company Request	Percent of Total	\$3,151,599	
5000 - Oper Supervision & Engineering	\$ 1,675,342	\$ (984,923)		\$ 690,418	21.8644%	\$ 689,078	\$ (1,341)
5010 - Fuel	\$ 111,500	\$ (65,060)		\$ 46,440	1.4707%	\$ 46,350	\$ (90)
5020 - Steam Expenses	\$ 29,794	\$ (17,415)		\$ 12,379	0.3920%	\$ 12,355	\$ (24)
5050 - Electric Expenses	\$ 468	\$ (294)		\$ 173	0.0055%	\$ 173	\$ (0)
5060 - Misc Steam Power Expenses	\$ (1,152,761)	\$ 757,039		\$ (395,722)	-12.5319%	\$ (394,954)	\$ 768
5100 - Maint Supv & Engineering	\$ 51,388	\$ (30,969)		\$ 20,419	0.6466%	\$ 20,379	\$ (40)
5110 - Maintenance of Structures	\$ 69,882	\$ (39,361)		\$ 30,521	0.9665%	\$ 30,461	\$ (59)
5120 - Maintenance of Boiler Plant	\$ 276,408	\$ (166,652)		\$ 109,756	3.4758%	\$ 109,543	\$ (213)
5130 - Maintenance of Electric Plant	\$ 67,210	\$ (40,383)		\$ 26,827	0.8496%	\$ 26,775	\$ (52)
5140 - Maintenance of Misc Steam Plt	\$ 11,986	\$ (6,767)		\$ 5,219	0.1653%	\$ 5,209	\$ (10)
5240 - Misc Nuclear Power Expenses	\$ 0	\$ (0)		\$ -	0.0000%	\$ -	\$ -
5280 - Maint Supv & Engineering	\$ 1,011	\$ (598)		\$ 414	0.0131%	\$ 413	\$ (1)
5290 - Maintenance of Structures	\$ 37	\$ (23)		\$ 14	0.0004%	\$ 14	\$ (0)
5300 - Maint of Reactor Plant Equip	\$ 3	\$ (2)		\$ 1	0.0000%	\$ 1	\$ (0)
5310 - Maintenance of Electric Plant	\$ 1	\$ (1)		\$ 0	0.0000%	\$ 0	\$ (0)
5350 - Oper Supervision & Engineering	\$ 654	\$ (387)		\$ 267	0.0084%	\$ 266	\$ (1)
5370 - Hydraulic Expenses	\$ 75	\$ (46)		\$ 28	0.0009%	\$ 28	\$ (0)
5390 - Misc Hydr Power Generation Exp	\$ 551	\$ (343)		\$ 208	0.0066%	\$ 208	\$ (0)
5450 - Maint of Misc Hydraulic Plant	\$ 90	\$ (42)		\$ 48	0.0015%	\$ 48	\$ (0)
5510 - Maint Supv & Engineering	\$ (3)	\$ 2		\$ (1)	0.0000%	\$ (1)	\$ 0
5530 - Maintenance of Generating Plt	\$ 1,749	\$ (1,074)		\$ 675	0.0214%	\$ 674	\$ (1)
5560 - Sys Control & Load Dispatching	\$ 224,640	\$ (131,015)		\$ 93,625	2.9650%	\$ 93,443	\$ (182)
5570 - Other Expenses	\$ 526,644	\$ (312,317)		\$ 214,327	6.7874%	\$ 213,911	\$ (416)
5600 - Oper Supervision & Engineering	\$ 878,221	\$ (548,347)		\$ 329,874	10.4466%	\$ 329,234	\$ (640)
5612 - Load Dispatch-Mntr&Op TransSys	\$ 131,443	\$ (82,168)		\$ 49,275	1.5605%	\$ 49,179	\$ (96)
5615 - Reliability, Pting&Stds Develop	\$ 32,061	\$ (20,060)		\$ 12,001	0.3801%	\$ 11,978	\$ (23)
5620 - Station Expenses	\$ 823	\$ (504)		\$ 319	0.0101%	\$ 318	\$ (1)
5630 - Overhead Line Expenses	\$ 2,871	\$ (1,785)		\$ 1,086	0.0344%	\$ 1,084	\$ (2)
5660 - Misc Transmission Expenses	\$ 190,250	\$ (117,988)		\$ 72,262	2.2884%	\$ 72,122	\$ (140)
5670 - Rents	\$ 11	\$ (7)		\$ 4	0.0001%	\$ 4	\$ (0)
5680 - Maint Supv & Engineering	\$ 1,281	\$ (817)		\$ 464	0.0147%	\$ 463	\$ (1)
5690 - Maintenance of Structures	\$ 13	\$ (9)		\$ 5	0.0001%	\$ 5	\$ (0)
5691 - Maint of Computer Hardware	\$ 1,177	\$ (737)		\$ 439	0.0139%	\$ 438	\$ (1)
5692 - Maint of Computer Software	\$ 19,015	\$ (11,868)		\$ 7,147	0.2263%	\$ 7,133	\$ (14)
5700 - Maint of Station Equipment	\$ 28,939	\$ (18,162)		\$ 10,777	0.3413%	\$ 10,756	\$ (21)
5710 - Maintenance of Overhead Lines	\$ 4,278	\$ (2,719)		\$ 1,559	0.0494%	\$ 1,556	\$ (3)
5730 - Maint of Misc Trmsmission Plt	\$ 195	\$ (122)		\$ 73	0.0023%	\$ 73	\$ (0)
5800 - Oper Supervision & Engineering	\$ 200,838	\$ (124,340)		\$ 76,497	2.4225%	\$ 76,349	\$ (149)
5820 - Station Expenses	\$ 8,921	\$ (5,536)		\$ 3,386	0.1072%	\$ 3,379	\$ (7)
5830 - Overhead Line Expenses	\$ 65	\$ (43)		\$ 22	0.0007%	\$ 22	\$ (0)
5840 - Underground Line Expenses	\$ 2,473	\$ (1,553)		\$ 920	0.0291%	\$ 919	\$ (2)
5860 - Meter Expenses	\$ 25,294	\$ (16,111)		\$ 9,183	0.2908%	\$ 9,165	\$ (18)
5880 - Miscellaneous Distribution Exp	\$ (387,100)	\$ 255,041		\$ (132,059)	-4.1821%	\$ (131,803)	\$ 256
5900 - Maint Supv & Engineering	\$ 1,654	\$ (1,035)		\$ 619	0.0196%	\$ 618	\$ (1)
5920 - Maint of Station Equipment	\$ 12,493	\$ (7,812)		\$ 4,681	0.1482%	\$ 4,671	\$ (9)
5930 - Maintenance of Overhead Lines	\$ 7,792	\$ (4,943)		\$ 2,849	0.0902%	\$ 2,844	\$ (6)
5970 - Maintenance of Meters	\$ 40	\$ (25)		\$ 14	0.0005%	\$ 14	\$ (0)
9010 - Supervision - Customer Accts	\$ 8,989	\$ (5,724)		\$ 3,264	0.1034%	\$ 3,258	\$ (6)
9020 - Meter Reading Expenses	\$ 15,599	\$ (9,895)		\$ 5,704	0.1806%	\$ 5,693	\$ (11)
9030 - Cust Records & Collection Exp	\$ 1,126,010	\$ (718,889)		\$ 407,121	12.8928%	\$ 406,330	\$ (790)
9050 - Misc Customer Accounts Exp	\$ 2,844	\$ (1,810)		\$ 1,034	0.0327%	\$ 1,032	\$ (2)
9070 - Supervision - Customer Service	\$ 14,053	\$ (9,005)		\$ 5,048	0.1598%	\$ 5,038	\$ (10)
9080 - Customer Assistance Expenses	\$ 8,083	\$ (5,186)		\$ 2,897	0.0917%	\$ 2,891	\$ (6)
9100 - Misc Cust Svc&Informational Ex	\$ 2,968	\$ (1,807)		\$ 1,161	0.0368%	\$ 1,159	\$ (2)
9120 - Demonstrating & Selling Exp	\$ 171	\$ (80)		\$ 91	0.0029%	\$ 91	\$ (0)
9200 - Administrative & Gen Salanes	\$ 4,363,996	\$ (2,763,992)	\$ (296,648)	\$ 1,303,355	41.2751%	\$ 1,300,825	\$ (2,531)
9210 - Office Supplies and Expenses	\$ 1,537	\$ (954)		\$ 584	0.0185%	\$ 582	\$ (1)
9220 - Administrative Exp Trnsf - Cr		\$ -		\$ -	0.0000%	\$ -	\$ -
9230 - Outside Services Employed	\$ (33,147)	\$ 21,586		\$ (11,560)	-0.3661%	\$ (11,538)	\$ 22
9250 - Injuries and Damages	\$ 3,681	\$ (2,428)		\$ 1,253	0.0397%	\$ 1,251	\$ (2)
9260 - Employee Pensions & Benefits	\$ 3,605	\$ (2,333)		\$ 1,273	0.0403%	\$ 1,270	\$ (2)
9280 - Regulatory Commission Exp	\$ 308,662	\$ (200,371)		\$ 108,291	3.4294%	\$ 108,081	\$ (210)
9301 - General Advertising Expenses	\$ 27	\$ (18)		\$ 9	0.0003%	\$ 9	\$ (0)
9302 - Misc General Expenses	\$ 27,689	\$ (17,238)		\$ 10,451	0.3310%	\$ 10,431	\$ (20)
9350 - Maintenance of General Plant	\$ 27,771	\$ (17,451)		\$ 10,320	0.3268%	\$ 10,300	\$ (20)
<b>Total</b>	<b>\$ 8,942,256</b>	<b>\$ (5,487,878)</b>	<b>\$ (296,648)</b>	<b>\$ 3,157,730</b>	<b>100.0000%</b>	<b>\$ 3,151,599</b>	<b>\$ (6,131)</b>

Staff adjustment to  
SWEPCO request

**SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION  
STAFF'S FIFTH REQUEST FOR INFORMATION**

**Question No. Staff 5-36:**

Please provide the amount of financial based incentive compensation expense capitalized each year by plan type since the June 30, 2016 end of the test year in Docket No. 46449 and included in the Company's requested invested capital balance. Provide the information by FERC account by year separately for SWEPCO and allocated affiliate expenses.

**Response No. Staff 5-36:**

During the preparation of the Company's response to a request for information in this docket, an error was discovered in a calculation of the financial based capitalized incentive compensation during 2019. This error results in the Company including \$43,345 in financial based incentive compensations expense per the table below. Aside from that information, SWEPCO has not included any capitalized financial based incentive compensation expense in its requested invested capital associated with time period June 30, 2016 through March 2020.

		<u>SWEPCO</u>		<u>AEPSC</u>		<u>Total</u>
		<u>1070</u>	<u>1080</u>	<u>1070</u>	<u>1080</u>	
Distribution	ICP	35,322	5,469	2,538	16	43,345
Plan						

The amortization that would have been recorded related to this activity would have been \$1,306, resulting in net capitalized financial based incentives of \$42,039.

Prepared By: Frances K. Bourland

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

Sponsored By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

**SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION  
STAFF'S FIFTH REQUEST FOR INFORMATION**

**Question No. Staff 5-30:**

Refer to the testimony of Michael A. Baird at page 26, lines 11-13. Where is SWEPCO's direct supplemental pension plan expense removed in the Company's request? Provide cites to the relevant pro forma adjustment that includes the amounts removed by FERC account (both expensed and capitalized).

**Response No. Staff 5-30:**

The supplemental pension plan expense was removed on Adjustment 3.10. Please see WP A-3.10, provided as Staff 5-30 Attachment 1. As can be seen on this workpaper, SERP amounts of \$7,966 and \$85,215 were removed from FERC Account 926.

Prepared By: Randall W. Hamlett

Title: Dir Regulatory Acctg Svcs

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

SOUTHWESTERN ELECTRIC POWER COMPANY  
Pension Expense  
For the Test Year Ended March 31, 2020

SOAH Docket No 473-21-0538  
PUC Docket No 51415  
Staff's 5th, Q # Staff 5-30  
Attachment 1  
Page 1 of 1  
W/P Schedule A-3 10

Line No.	(1) Description	(2) Schedule A Reference	(3) Workpaper Reference	(4) Acct Reference	(5) Exp Amt As Adjusted	(6) TY Amt Per Books	(7) Total Adjustment
1	Pension Expense	Sch A, ln 4	WP/A-3 10	926	6,970,767	4,320,953	\$2,649,813
2	Total				<u>6,970,767</u>	<u>4,320,953</u>	<u>2,649,813</u>

Justification for requested adjustment

Adjust pension expense to reflect 2019 actuarial study as described in the testimonies of Mr. Michael Baird

ASC 715-30 (SFAS 87) Pension Expense			
<u>Test Year Pension Expense</u>			
A/C 9260003 - Pension Plan - Service Cost		8,879,378	
A/C 9260062 - Pension Plan Non Service Cost		(1,433,783)	
A/C 9260050 - Overhead Loading-Pension		<u>(3,031,460)</u>	
		4,414,135	
A/C 9260037 - SERP - Service Costs, Remove from TY Expense		(7,966)	
A/C 9260042 - SERP Non Service Costs, Remove from TY Expense		<u>(85,215)</u>	
Total Pension Per Books Expense, Excluding SERP		4,320,953	
<u>Actuarial Report</u>			
2019 ASC 715-30 (SFAS 87) Pension Expense	Service Cost	9,882,001	
2019 ASC 715-30 (SFAS 87) Pension Expense	Non Service Cost	<u>117,360</u>	
		9,999,361	
Payroll O&M Percentage	G-1 3	<u>69.71%</u>	
Pro-Forma Pension Expense		6,970,767	
Pro-Forma Adjustment		<u>2,649,813</u>	9260

Excerpt from Schedule A-4  
 Detail Trial Balance  
 Test-Year End March 31, 2020

9260	Employee Pensions & Benefits	9260000	Employee Pensions & Benefits	(1,352,469 33)
		9260001	Edit & Print Empl Pub-Salaries	21,205 66
		9260002	Pension & Group Ins Admin	60,739 06
		9260003	Pension Plan	8,879,378.47
		9260004	Group Life Insurance Premiums	602,755 61
		9260005	Group Medical Ins Premiums	17,588,052 95
		9260006	Physical Examinations	410 00
		9260007	Group L-T Disability Ins Prem	813,927 84
		9260009	Group Dental Insurance Prem	663,696 27
		9260010	Training Administration Exp	10,263 79
		9260012	Employee Activities	63,971 59
		9260014	Educational Assistance Pmts	114,969 59
		9260021	Postretirement Benefits - OPEB	779,388 53
		9260027	Savings Plan Contributions	6,272,732 48
		9260036	Deferred Compensation	(6,493 74)
		9260037	Supplemental Pension	7,966.47
		9260040	SFAS 112 Postemployment Benef	2,466,637.00
		9260042	SERP Pension - Non-Service	85,215.47
		9260043	OPEB - Non-Service	(7,135,165 75)
		9260050	Frg Ben Loading - Pension	(3,031,459.92)
		9260051	Frg Ben Loading - Grp Ins	(6,406,907.41)
		9260052	Frg Ben Loading - Savings	(2,138,390 71)
		9260053	Frg Ben Loading - OPEB	(511,859 18)
		9260055	IntercoFringeOffset- Don't Use	(3,445,020 09)
		9260057	Postret Ben Medicare Subsidy	0 00
		9260058	Frg Ben Loading - Accrual	(129,980 41)
		9260060	Amort-Post Retirement Benefit	533,310 00
		9260062	Pension Plan - Non-Service	(1,433,783 25)
9260 Total				13,373,090 99

## STAFF ADJUSTMENT TO PENSION EXPENSE

	SWEPCO Adjustment	Staff Adjustment
<u>Test Year Pension Expense</u>		
A/C 9260003 - Pension Plan - Service Cost	8,879,378	
A/C 9260062 - Pension Plan Non Service Cost	(1,433,783)	
A/C 9260050 - Overhead Loading-Pension	(3,031,460) *	
Total Pension Expense Per Books	4,414,135	
A/C 9260037 - SERP - Service Costs, Remove from TY Expense	(7,966)	Staff Test Year Pension Expense per Books (7,966) Not included in Pension Expense
A/C 9260042 - SERP Non Service Costs, Remove from TY Expense	(85,215)	(85,215) Not included in Pension Expense
Total Pension Per Books Expense, Excluding SERP	4,320,953	<b>(93,182) Staff SERP Adjustment</b>
<u>Actuarial Report</u>		
2019 ASC 715-30 (SFAS 87) Pension Expense      Service Cost	9,882,001	9,882,001 Service Cost
2019 ASC 715-30 (SFAS 87) Pension Expense      Non Service Cost	117,360	(3,373,760) Less Overhead loading (9,882,001x34 14%)
	9,999,361	6,508,241 Service Cost Expense
Payroll O&M Percentage                                  G-1 3	69.71%	117,360 Non Service Cost
Pro-Forma Pension Expense	6,970,767	6,625,601 Staff Pro Forma Pension Expense
		4,414,135 Staff Test Year Pension Expense per Books
Pro-Forma Adjustment	2,649,813	2,211,466 Staff Adjustment to Test Year
		(2,649,813) Less Company Adjustment to test year
		<b>(438,347) Staff Adjustment to Company Request - Pension</b>

\*Test Year Overhead loading as %  
of Service Cost  $(3,031,460 \div 8,879,378 = 34.14\%)$

**SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION  
STAFF'S FIFTH REQUEST FOR INFORMATION**

**Question No. Staff 5-35:**

Does the Company's requested revenue requirement include amounts for executive perquisites such as financial planning and tax gross-ups? If so, please provide an explanation of the types of perquisites included, a copy of the Company's policies regarding the payment of such perquisites, and the amount of such payments included in the revenue requirement by FERC account.

**Response No. Staff 5-35:**

Please refer to Company response to Staff 5-32 (Staff 5-32 Attachment 1) which has the amount of executive perquisites billed to SWEPCO from AEPSC by FERC Account. Perquisites provided include: financial counseling and tax preparation services, and for certain executives, director's group travel accident insurance premium. Please see Staff 5-35 Attachment 1 for an excerpt from the Company's Proxy discussing executive perquisites. The total company amount of SWEPCO executive perquisites included in the revenue requirement by FERC account were \$1,057 in FERC account 9010 and \$11,054 in FERC account 9200.

Prepared By: Frances K. Bourland

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

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Title: Dir Comp & Executive Benefits



**SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION  
STAFF'S FIFTH REQUEST FOR INFORMATION**

**Question No. Staff 5-32:**

For each employee of SWEPCO, its parent company, or affiliate whose salary and benefits are in any way included in SWEPCO's revenue requirement and whose salary and benefits are subject to the \$1 million deductibility limit under the Tax Cuts and Jobs Act of 2017, provide for each individual the total compensation by type and the amount of such compensation included in SWEPCO's request by FERC account.

**Response No. Staff 5-32:**

Please refer to Staff 5-32 Attachment 1 for analysis of AEPSC employees subject to the \$1 million deductibility limit under the Tax Cuts and Jobs Act of 2017, and the amounts of compensation by type billed to SWEPCO during the test year by FERC Account for each individual. SWEPCO has no employees that meet this threshold.

Prepared By: Frances K. Bourland

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

**SOUTHWESTERN ELECTRIC POWER COMPANY**  
**Executive Compensation**  
**Billed from AEPSC to SWEPCO by FERC Account by Type**  
**For The Test Year Ended March 31, 2020**

Executive	FERC Acct	Salary	Stock Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation	Retirement Savings Plan	Supplemental Retirement Savings Plan	Perquisites
Executive #1	1880 - R&D Expenses	1,437	8,546	3,506	516	12	75	21
Executive #1	4264 - Civic & Political Activities	3,867	22,994	9,433	1,389	33	203	57
Executive #1	5000 - Oper Supervision & Engineering	7,193	42,774	17,548	2,584	61	377	105
Executive #1	9200 - Administrative & Gen Salaries	122,086	725,984	297,840	43,861	1,042	6,404	1,789
Executive #1	9302 - Misc General Expenses	7,364	43,791	17,966	2,646	63	386	108
Executive #2	9200 - Administrative & Gen Salaries	59,313	326,566	83,184	17,522	1,270	3,994	1,572
Executive #3	5000 - Oper Supervision & Engineering	185	394	236	47	3	13	4
Executive #3	9200 - Administrative & Gen Salaries	44,659	95,255	57,010	11,467	830	3,111	899
Executive #3	9250 - Injuries and Damages	1,465	3,125	1,870	376	27	102	29
Executive #3	9280 - Regulatory Commission Exp	744	1,586	949	191	14	52	15
Executive #4	1070 - Construction Work In Progress	7,146	13,187	9,290	2,569	146	487	236
Executive #4	9200 - Administrative & Gen Salaries	58,801	108,516	76,445	21,141	1,204	4,009	1,938
Executive #5	9200 - Administrative & Gen Salaries	80,313	411,640	110,184	47,612	1,276	6,376	2,025
<b>Grand Total</b>		<b>394,572</b>	<b>1,804,359</b>	<b>685,462</b>	<b>151,923</b>	<b>5,984</b>	<b>25,589</b>	<b>8,798</b>

**SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION  
STAFF'S FIFTH REQUEST FOR INFORMATION**

**Question No. Staff 5-48:**

Has the Company included any amounts for carrying costs associated with affiliate or shared assets that have been charged by an affiliate in its revenue requirement? If so, please provide by FERC account the amount in total, amount that is debt based, and the amount considered equity return.

**Response No. Staff 5-48:**

The carrying charges are expenses billed to SWEPCO from AEPSC, related to AEPSC's occupancy/usage of other AEP affiliates' buildings. These charges are incurred by AEPSC, and therefore, must be billed to the affiliates benefitting from those charges.

Please see Staff 5-48 Attachment 1 for carrying costs associated with affiliate assets that have been charged by AEPSC to SWEPCO in cost of service accounts. Attachment has amounts by FERC account, total carrying costs, amount that is debt based, and the amount considered equity. Please see Staff 5-48 Attachment 2 for carrying costs associated with SWEPCO assets that have been charged by SWEPCO to affiliates, which would be included, as a reduction, in SWEPCO's revenue requirement.

Prepared By: Brian J. Frantz

Title: Dir Accounting

Sponsored By: Brian J. Frantz

Title: Dir Accounting

SOAH Docket No. 473-21-0538

PUC Docket No. 51415

Staff's 5th, Q. 48 Staff 5-48

Attachment 1

Page 1 of 1

**SOUTHWESTERN ELECTRIC POWER COMPANY****Carrying Costs associated with Affiliate Assets by FERC Acct****Billed from Affiliates to SWEPCO in Cost of Service Accounts****For The Test Year Ended March 31, 2020**

<b>FERC Acct</b>	<b>Total Carrying Costs</b>	<b>Debt Component</b>	<b>Equity Component</b>
5000 - Oper Supervision & Engineering	101,385	26,738	74,648
5010 - Fuel	6,612	1,744	4,867
5020 - Steam Expenses	708	183	526
5050 - Electric Expenses	33	9	24
5060 - Misc Steam Power Expenses	7,441	1,960	5,481
5100 - Maint Supv & Engineering	3,060	808	2,252
5110 - Maintenance of Structures	765	202	563
5120 - Maintenance of Boiler Plant	2,001	527	1,474
5130 - Maintenance of Electric Plant	651	166	484
5140 - Maintenance of Misc Steam Plt	246	62	184
5280 - Maint Supv & Engineering	37	10	27
5290 - Maintenance of Structures	0	0	0
5300 - Maint of Reactor Plant Equip	2	1	2
5310 - Maintenance of Electric Plant	0	0	0
5350 - Oper Supervision & Engineering	51	13	37
5370 - Hydraulic Expenses	6	2	5
5390 - Misc Hydr Power Generation Exp	6	2	4
5450 - Maint of Misc Hydraulic Plant	30	8	22
5510 - Maint Supv & Engineering	(1)	(0)	(1)
5530 - Maintenance of Generating Plt	73	19	54
5560 - Sys Control & Load Dispatching	5,847	1,544	4,303
5570 - Other Expenses	17,820	4,705	13,115
5600 - Oper Supervision & Engineering	203,637	48,018	155,619
5612 - Load Dispatch-Mntr&Op TransSys	73,937	18,889	55,048
5615 - Reliability, Plog&Stds Develop	17,052	4,095	12,957
5620 - Station Expenses	82	22	61
5630 - Overhead Line Expenses	355	77	278
5660 - Misc Transmission Expenses	31,152	7,552	23,600
5670 - Rents	2	0	1
5680 - Maint Supv & Engineering	219	47	172
5690 - Maintenance of Structures	3	1	2
5691 - Maint of Computer Hardware	895	228	666
5692 - Maint of Computer Software	4,584	1,118	3,466
5700 - Maint of Station Equipment	4,762	1,215	3,547
5710 - Maintenance of Overhead Lines	587	125	461
5730 - Maint of Misc Trnsmssion Plt	22	5	17
5800 - Oper Supervision & Engineering	23,495	6,115	17,380
5820 - Station Expenses	8,968	2,282	6,686
5830 - Overhead Line Expenses	6	1	4
5840 - Underground Line Expenses	307	81	226
5860 - Meter Expenses	2,555	674	1,880
5880 - Miscellaneous Distribution Exp	17,854	4,580	13,274
5890 - Rents	1,140	361	779
5900 - Maint Supv & Engineering	188	50	138
5920 - Maint of Station Equipment	807	210	597
5930 - Maintenance of Overhead Lines	1,466	329	1,137
5970 - Maintenance of Meters	3	1	2
9010 - Supervision - Customer Accts	784	207	577
9020 - Meter Reading Expenses	1,330	351	978
9030 - Cust Records & Collection Exp	121,180	31,998	89,182
9050 - Misc Customer Accounts Exp	250	66	184
9070 - Supervision - Customer Service	1,094	288	806
9080 - Customer Assistance Expenses	492	130	362
9100 - Misc Cust Svc&Informational Ex	684	181	504
9120 - Demonstrating & Selling Exp	20	5	15
9200 - Administrative & Gen Salaries	463,865	122,061	341,804
9210 - Office Supplies and Expenses	2,030	536	1,494
9230 - Outside Services Employed	32	8	24
9250 - Injuries and Damages	124	33	91
9260 - Employee Pensions & Benefits	330	82	247
9280 - Regulatory Commission Exp	13,202	3,486	9,716
9301 - General Advertising Expenses	2	1	2
9302 - Misc General Expenses	15,105	3,871	11,234
9350 - Maintenance of General Plant	3,056	807	2,249
<b>Grand Total</b>	<b>1,164,427</b>	<b>298,889</b>	<b>865,537</b>

SOAH Docket No. 473-21-0538  
PUC Docket No. 51415  
Staff's 5th, Q. 48 Staff 5-48  
Attachment 2  
Page 1 of 1

**SOUTHWESTERN ELECTRIC POWER COMPANY**  
Carrying Costs associated with Affiliate Assets by FERC Acct  
Billed from SWEPCO to Other Affiliates  
For The Test Year Ended March 31, 2020

<u>FERC Acct</u>	<u>Total Carrying Costs</u>	<u>Debt Component</u>	<u>Equity Component</u>
4540 - Rent From Electric Property	(530,383.51)	(148,066.84)	(382,316.67)

**SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION  
STAFF'S FIFTH REQUEST FOR INFORMATION**

**Question No. Staff 5-63:**

Refer to Schedule G-14, Regulatory Commission Expense and Schedule A-4, Detail Trial Balance for the Test Year Ended March 31, 2020. Please reconcile the total test year amount of \$2,497,184 shown on Schedule G-14, Regulatory Commission Expense, with the amount of \$2,624,761 shown for account 9280, Regulatory Commission Expense, on Schedule A-4.

**Response No. Staff 5-63:**

Please see Staff 5-63 Attachment 1 Regulatory Expenses for a reconciliation of the total test year amounts as shown on Schedule G-14 to the 9280 balance as shown on Schedule A-4. Certain accounts were inadvertently excluded from Schedule G-14. An additional \$46,306 should have been removed from the Company's total request for FERC 9280.

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

SOUTHWESTERN ELECTRIC POWER COMPANY  
Regulatory Commission Expense  
For the Test Year Ended March 31, 2020

SOAH Docket No. 473-21-0538  
PUC Docket No. 51415  
Staff's 5th, Q # STAFF 5-63  
Attachment 1  
Page 1 of 2

Line No	(1) Description	(2) Docket No	(3) Test Year Amount	(4) Company Adjustments	(5) Company Request
1	<u>Proceedings - Account 9280002</u>				
2	SWEP CO TX 2012 Base Rate Case	Docket No 40443	47	(47)	-
3	SWEP CO TX 2012 Base Rate Case (AEPSC)		742	(742)	-
4	SWEP CO TX 2016 Base Rate Case	Docket No 46449	(34,694)	34,694	-
5	SWEP CO TX 2016 Base Rate Case (AEPSC)		1,119	(1,119)	-
6	SWEP CO TX 2018 Rate Case Expense Recovery Filing	Docket No 47141	(30,608)	30,608	-
7	SWEP CO TX 2018 Rate Case Expense Recovery Filing (AEPSC)		32,966	(32,966)	-
8	SWEP CO TX 2020 Base Rate Case	TBD	9,828	-	9,828
9	SWEP CO TX - Rate Case Expense Amortization		350,801	(350,801)	-
10	SWEP CO TX 2018 DCRF Filing	Docket No 49041	45,533	(39,377)	6,156
11	SWEP CO TX 2018 TCRF Filing	Docket No 49042	94,220	(70,011)	24,208
12	SWEP CO TX 2020 GCRG Rule Making		1,999	(1,999)	-
13	SWEP CO TX EECRF	Docket Nos 49499/50805	647	-	647
14	SWEP CO TX EECRF (AEPSC)		6,896	(6,896)	-
15	SWEP CO TX 2017 Fuel Factor Filing		4,985	(4,741)	244
16	SWEP CO TX Fuel Refund Filing	Docket No 49974	45,067	(30,356)	14,711
17	SWEP CO TX Fuel Refund Filing (AEPSC)		6	(6)	-
18	SWEP CO TX 2020 Fuel Reconciliation Filing	Docket No 50997	73,141	(13,101)	60,040
19	SWEP CO TX Tax Filing	Docket No 48233	100	(100)	-
20	SWEP CO TX Tax Filing (AEPSC)		286	(286)	-
21	Texas Misc Legislative & Regulatory		(12,270)	67,974	55,704
22	Louisiana 2019 IRP Filing		13,069	(13,069)	-
23	Louisiana 2019 IRP Filing (AEPSC)		254,470	(254,470)	-
24	Louisiana Misc Legislative & Regulatory		167,977	(167,977)	-
25	Louisiana Base Rate Case Filing		16,900	(16,900)	-
26	Louisiana Base Rate Case Filing (AEPSC)		12,015	(12,015)	-
27	Arkansas Base Rate Case Filing	Docket No 19-008-U	166,889	(166,889)	-
28	Arkansas Base Rate Case Filing (AEPSC)		1,182,815	(1,182,815)	-
29	Arkansas Misc Legislative & Regulatory		10,977	(10,977)	-
30	Arkansas Misc Legislative & Regulatory (AEPSC)		8,533	(8,533)	-
31	Miscellaneous Regulatory Expense		4,754	(4,754)	-
32	Miscellaneous Regulatory Expense (AEPSC)		67,974	(67,974)	-
33	Total- Account 9280002		2,497,184	(2,325,646)	171,538
34	SWEP CO Direct - proforma adj A-3 19		\$ 929,361	\$ (757,823)	\$ 171,538
35	AEPSC proforma adjustment A-3 18 (Work Order Adj Only)		1,567,823	(1,567,823)	-
36	Total Account 9280002		\$ 2,497,184	\$ (2,325,646)	\$ 171,538

Other Accounts (9280000, 9280001, 9280003, 9280005)					
Line			Test Year	Company	Company
No	Description	Docket No	Amount	Adjustment as Corrected	Request as Corrected
37	Arkansas Base Rate Case Amortization	Docket No 19-008-U	39,029	(39,029)	-
38	Misc FERC Regulatory Expense		38,196	-	38,196
39	Misc Other Jurisdictions (OH, OK, VA, WV)		15,471	(15,471)	-
40	Texas FERC Fees		43,075	-	43,075
41	Deferral of PUCT Expenses Per PURA Sec 39 504		(8,194)	8,194	-
			127,578	(46,306)	81,271
42	Total FERC Account 9280		\$ 2,624,761	\$ (2,371,952)	\$ 252,810

SOAH Docket No 473-21-0538  
PUC Docket No 51415  
Staff's 5th, Q # STAFF 5-63  
Attachment 1  
Page 2 of 2



# STAFF ADJUSTMENT TO FACTORING RATE

Schedule A-3 Adjustment 5 as filed by SWEPCO

SOUTHWESTERN ELECTRIC POWER COMPANY

Factoring Expense

For the Test Year Ended March 31, 2020

## Factoring Model

Revenues WP A-3.5 (a) 1,614,421,809

Interest Cost - Avg Test Year Rate 1.4985%

x Debt Percent 95.00%

Debt Component 1.4236%

Allowed ROCE 10.35%

/ Tax Effect 0.79

Pretax ROCE 13.1013%

x Equity Percent 5.00%

Equity Component 0.6551%

Total Annual Weighted Cust of Capital 2.0786%

/ Days in Year 365

Daily Capital Cost Factor 0.000057

x Average Days Outstanding 31.82

Effective Carrying Cost Rate 0.1813720%

Carrying Cost Expense 2,928,109

Effective Bad Debt Rate 0.2793%

(Bad Debt Expense January 2011 - December 2011)

Estimated Bad Debt Expense 4,509,449

Total Factoring Expense 7,437,558

Total Bant WP A-3.5 978,048

Total Cost 8,415,606

Effective Factoring Rate 0.5212768%

Staff  
Adjusted  
Factoring  
Rate

1,614,421,809

1.4985%

95.00%

1.4236%

9.225%

0.79

11.6772%

5.00%

0.5839%

2.0074%

365

0.000055

31.82

0.1750024%

2,825,278

0.2793%

4,509,080

7,334,358

978,048

8,312,406

0.514884%

Staff  
Adjusted  
Factoring  
Rate

1,614,421,809

1.4985%

95.00%

1.4236%

9.225%

0.79

11.6772%

5.00%

0.5839%

2.0074%

365

0.000055

31.82

0.1750%

2,825,278

0.2793%

4,509,080

7,334,358

978,048

8,312,406

0.5149%

Adjust Cost of Equity

Revenue Deficiency 228,419,735

Factoring Rate 0.521277%

Factoring Exp on Deficiency 1,190,699

**SOUTHWESTERN ELECTRIC POWER COMPANY**  
**Factoring Expense**  
**For the Test Year Ended March 31, 2020**

Line No.	Description	Test Year Calculated Factoring Expense	Base+Fuel Rev Adjustments	Total Adjusted
1	Revenues (Total Company - Factored)	1,654,745,157	(40,323,348)	1,614,421,809
2	Interest Cost	1.4985%		1.4985%
3	x Debt Percent	95.00%		95.00%
4	Debt Component	1.4236%		1.4236%
5	Allowed ROCE	10.35%		10.35%
6	/ Tax Effect	0.79		0.79
7	Pretax ROCE	13.1013%		13.1013%
8	x Equity Percent	5.00%		5.00%
9	Equity Component	0.6551%		0.6551%
10	Total Annual Weighted Cost of Capital	2.0787%		2.0787%
11	/ Days in Year	365		365
12	Daily Capital Cost Factor	0.000057		0.000057
13	x Average Days Outstanding	31.82		31.82
14	(Average SWEPCO DSO for April 2019 - March 2020)			
15	Effective Carrying Cost Rate	0.001814		0.001814
16	Carrying Cost Expense (a)	3,001,244		2,928,109
17	Effective Bad Debt Rate	0.002793		0.002793
18	(Bad Debt Expense April 2019 - March 2020)			
19	Estimated Bad Debt Expense (b)	4,622,081		4,509,449
20	Total Factoring Expense (a) + (b)	7,623,325		7,437,557
21	Total Banking Fees - .07% x Amt. factored	1,002,477	(24,428.68)	978,048
22				
23	Total Cost	<u>8,625,802</u>		<u>8,415,606</u>
24	Effective Factoring Rate	0.0052128		0.0052128
	Jurisdiction	Fuel Rev Adj	Base Rev Adj	Total Rev Adj
	TX	(6,379,948)	(8,314,213)	(14,694,162)
	LA	(403,416)	(727,489)	(1,130,905)
	AR	(2,722,315)	(710,011)	(3,432,326)
	Wholesale	(11,282,624)	(9,783,332)	(21,065,955)
		(20,788,303)	(19,535,045)	(40,323,348)

**SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION  
STAFF'S NINTH REQUEST FOR INFORMATION**

**Question No. STAFF 9-24:**

Refer to response to Staff 5-65, Attachment 1.

- a) For the item with the location/description "Capitalized Software FullyDepreciated: SEP: 9303FD" with a total cost of \$10,871,694.73 and \$0 of test year amortization expense, please provide an explanation and justification for the requested inclusion of \$1,855,749.93 of amortization requested for this item.
- b) For the item with location/description "Capitalized Software – Oracle:SEP: 9303ORA" with a cost of \$12,638,903.77 and \$1,264,025.22 of testyear amortization, please provide a detailed explanation and justificationfor the use of an amortization rate of 17.0696% to calculate the proposed adjustment of \$893,379.63 given that the amortization period is 10 years.
- c) For the item with location/description "Capitalized Software – Maximo.SEP: 9303MAX" with a cost of \$16,948,195.48 and \$281,834.94 of test year amortization, please provide a detailed explanation and justification for the use of an amortization rate of 17.0696% to calculate the proposed adjustment of \$2,611,146.63 given that the amortization period is 15 years.

**Response No. STAFF 9-24:**

Please see Staff 9-24 Attachment 1 for the corrected software amortization requested.

- a) The requested amount was included in error and has been removed. Resulting in a decrease of the requested amount of \$1,855,750.
- b) Staff 9-24 Attachment 1 (Software tab) has the calculation with the applicable rates by location/description which derives the same amount as Staff 9-24 Attachment 1 (Composite Rate tab) when the "Capitalized Software FullyDepreciated: SEP: 9303FD" is excluded.
- c) Same as b)

Prepared By: James D. Spring

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Jason A. Cash

Title: Accounting Sr Mgr

Plant Acct  
30300 - Intangible Property

Data

Asset Location	Sum of Cost	Sum of Allocated Reserve	Sum of Net Book Value	Rate	Cost X Rate	amortization limited to NBV
Capitalized Software - Cloud SEP 9303CLD	456,929	8,723	448,206	20.000%	91,386	91,386
Capitalized Software - Dell SEP 9303DELL	2,687,749	1,209,487	1,478,261	20.000%	537,550	537,550
Capitalized Software - High Availability Data Center SEP 9303HAV	5,360,897	4,346,525	1,014,372	20.000%	1,072,179	1,014,372
Capitalized Software - Maximo SEP 9303MAX	16,948,195	281,835	16,666,361	6.670%	1,130,445	1,130,445
Capitalized Software - Oracle SEP 9303ORA	12,638,904	3,476,345	9,162,558	10.000%	1,263,890	1,263,890
Capitalized Software Fully Depreciated SEP 9303FD	10,871,695	10,871,695	-	20.000%	-	-
Capitalized Software, TX SEP : 9303TX	18,679,691	7,762,202	10,917,489	20.000%	3,735,938	3,735,938
Capitalized Software-SEP GENERAL	63,496,390	27,683,157	35,813,232	20.000%	12,699,278	12,699,278
Flint Creek Generating Plant . SEP PPFLC	764,477	223,755	540,722	20.000%	152,895	152,895
HCP and NEPA Study for American Burying Beetle (ABB) SEP ABBAR	61,819	2,578	59,241	20.000%	12,364	12,364
HCP and NEPA Study for American Burying Beetle (ABB) SEP ABBTX	37,959	1,583	36,376	20.000%	7,592	7,592
Mattison Interconnect SEP HDMINTC	523,301	137,847	385,453	20.000%	104,660	104,660
Stall Interconnect SEP PPSTAINTC	202,867	151,272	51,595	20.000%	40,574	40,573
Welsh Generating Plant SEP PPWSH	337,028	233,895	103,133	20.000%	67,406	67,406
30300 - Intangible Property Total	133,067,900	56,390,900	76,677,000		20,916,156	20,858,349